

NEW THINKING **FOR THE** BRITISH ECONOMY

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Edited by Laurie Macfarlane

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Edited by: Laurie Macfarlane

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Introduction

Western political economy is in a period of upheaval. Neoliberalism – the set of economic ideas and policies that have dominated politics for the past 40 years – is rapidly losing legitimacy in the face of multiple crises: stagnant or falling living standards, sharply rising inequality of income and wealth, financial fragility and environmental breakdown.

The Global Financial Crisis of 2007/08 brought an end to the so-called ‘Great Moderation’ – the period of relative economic stability since the 1980s – and laid bare the underlying weaknesses of free market orthodoxy. The impact of the crisis, and the austerity policies that followed, have fractured the political argument in many countries, contributing to a series of political shocks across Britain, the USA and Europe. At the same time, the economics profession has entered a period of intellectual upheaval. Student-led campaigns for more pluralist economic teaching in universities have gained momentum, while increasing numbers of economists and commentators – including those in mainstream institutions such as the International Monetary Fund (IMF) and the Organisation for Economic Cooperation and Development (OECD) – acknowledge the shortcomings of orthodox economic ideas.

Political economic paradigms do not last forever. Over the last hundred years, Western political economy has experienced two major episodes of transition from one paradigm to another: firstly from laissez-faire to the post-war consensus after the Great Depression of the 1930s, and secondly from the post-war consensus to neoliberalism in the 1980s. The evident failings of our present economic system, and the political dissatisfactions that have grown in recent years, suggest that the conditions for another paradigm shift are beginning to emerge. By chance and good fortune, Britain is at the very forefront of efforts to build an alternative to neoliberalism. Already there is a broad movement spanning academia and civil society working on a post-neoliberal vision for the economy, as well as growing political mobilisation and a proliferation of local and municipal initiatives putting new economic ideas into practice.

While there are matters for continued contestation, it is clear that a consensus on the broad outlines of a new political economic agenda are beginning to emerge. This is an economy that embodies in its basic institutional structures and operations the foundational principles of democracy, equality, subsidiarity, resilience and sustainability. This more democratic economy is inclusive and participatory, pays attention to matters of scale and decentralisation, and is plural, allowing for the innovation of new economic forms and approaches at different levels. It involves building new, democratic models of ownership and control of key resources and decision-making across the economy. This new economy is also radically green and sustainable, living safely within ecological limits and boundaries. It is informed by a politics and ideology that leans towards the pragmatic and practical, with a strong non-sectarian solutions-orientation.

This volume brings together leading thinkers from across this movement to outline the broad pillars of the post-neoliberal agenda that is beginning to emerge, and the type of policies that are needed to get us there. While debate around ‘the economy’ is often limited to areas of policy that involve monetary exchange, the question of who gets what and why is inherently political, and

therefore requires a much deeper analysis of where power lies in our society. For this reason this volume explores a range of areas that are not typically considered to be within the sphere of economic policy but which nonetheless play a critical role shaping our political economy – such as the media, our care systems, racial inequalities and our constitutional arrangements – as well as more traditional policy areas such as trade, finance and industrial policy.

In a famous remark, Milton Friedman, a key architect of the neoliberal ascendancy, said that “our basic function is to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable”. But shifts in political-economic paradigms do not happen because of ideas alone. History shows that it requires organisation and collaboration on many different levels, including concerted efforts of communication to disseminate and normalise those ideas in public discourse and popular mobilisation and political organisation, ultimately culminating in transformative change through civic action and the election of governments. In this volume, the authors also grapple with strategic questions relating to how to turn these new ideas into reality. This includes identifying the ‘critical paths’ that need to be attended to first in order to create the space for further change; appraising the power dynamics of building new institutions and displacing entrenched vested interests; identifying any tensions or debates that remain within the movement; and highlighting any research or policy development work that needs to be undertaken to fill any intellectual or implementational gaps. This is the domain of practical strategy which we must quickly learn to navigate if we too are to make the impossible become the inevitable.

C entral to the vision of a new economy is the question of ownership. Who owns and controls the wealth of nations is fundamental to how an economic system functions, and in whose interests. The architects of neoliberalism promised a ‘share-owning democracy’, and with it broadly shared economic power. But the reality has been a growing concentration of ownership and the rise of an extractive and short-termist corporate model, which today lies at the root of some of our most pressing economic, social, and ecological challenges. A key feature of this model is the principle of ‘one pound, one vote’. In the new economy, this will be replaced by a new democratic vision of ownership based on the principle of ‘one person, one vote’. However, this doesn’t simply mean a return to old-fashioned, top-down state socialism. Instead, as Andy Cumbers and Thomas Hanna outline in Chapter 1, it means democratising ownership and control of our common wealth through a diverse range of ownership models including municipal ownership, multi-stakeholder ownership, cooperative ownership and community ownership.

But questions of ownership do not just apply at the level of the firm. If data is the ‘new oil’, then who owns our data has huge implications for the future of the distribution of wealth and power. As Mathew Lawrence and Laurie Laybourn-Langton outline in Chapter 2, companies such as Facebook, Google, Amazon and Apple have amassed enormous wealth and power through a business model of ‘monopolistic data enclosure’ – a business model that is increasingly responsible for serious economic, social and political problems. In the new economy, data will be treated as a collective resource, and digital infrastructure as a public good. Private data enclosure will be replaced by a thriving, creative and pluralistic ‘digital commonwealth’ which will be overseen a series of democratically accountable public bodies.

At the same time, other technological trends such as artificial intelligence and machine learning are set to transform the labour market. Without action, these trends will exacerbate inequalities, as the benefits will flow disproportionately to the owners of capital while workers will be disempowered or displaced. As Will Stronge outlines in Chapter 3, our labour market and welfare policies must be updated to reflect the significant changes to the nature of work and the productive powers available to us. In the new economy, a shorter working week, stronger workers' rights, universal basic income and a process of managed automation will help distribute the fruits of technological change towards both greater equality and expanded free time.

At its core any new vision for the economy must have a clear vision of what the economy is for. For the past half century, GDP growth has reigned supreme as the ultimate goal of economic policy. But as Katherine Trebeck explains in Chapter 4, GDP is a wholly inadequate measure of progress for the twenty-first century: the narrow pursuit of growth-at-all-costs is failing to meet human needs and destroying the planet. Repurposing the economy away from GDP towards outcomes that align economic success with the delivery of human and ecological wellbeing is therefore an essential step towards an economy that works for people and planet.

One of the most significant shortcomings of GDP is its failure to adequately value care. An economy is only able to flourish if there are high quality education, health and care systems (both paid and unpaid) to produce healthy, well-educated and well-cared for people. As Susan Himmelweit outlines in Chapter 5, our current care systems are beset by underfunding, low pay and poor working practices and stark gender inequalities. A new approach to care will invest the resources necessary to provide high quality care infrastructure; create good working conditions and professional standards in the care profession; and provide care and other forms of support free at the point of use via a new National Care Service.

The new economy must also be productive and dynamic if we are to sustain a high standard of living for all and be at the frontier of technological advancement. But as Craig Berry outlines in Chapter 6, the British economy is currently plagued by a range of structural weaknesses which stem from a finance-centred development model. A new approach to industrial policy will utilise the state's unique powers of coordination and convening to ensure that all parts of the country have the hard and soft infrastructures required to support productive activities and high-quality, well paid jobs – both now and in the future.

A key part of this involves transforming our financial system. The liberalisation of the financial sector has given financial institutions enormous amounts of power, and left capital free to flow to wherever the largest returns can be made – regardless of the economic, social and environmental impact. As Ann Pettifor outlines in Chapter 7, this has empowered speculators and criminals, undermined productive investment and constrained the actions of democratically elected governments. In the new economy, the primary objective of the financial system will be to promote the stability and prosperity of the domestic economy, and a new financial architecture will bring capital flows under control and direct credit towards productive, job-creating activities.

This must be accompanied by sweeping reform of the banking sector. As Christine Berry outlines in Chapter 8, the UK has one of the most top-heavy, centralised and shareholder-dominated banking sectors in the developed world. As well as creating disastrous booms and busts, the lending practices of the big banks have helped make us one of the most regionally unequal

economies in Europe. Under a new approach, a national investment bank and a range of local and regional stakeholder banks will invest sustainably in local communities, while new regulatory and taxation measures will prevent speculative, destabilising activity.

One consequence of Britain's highly financialised economy has been a growing dependence on household debt. As Johnna Montgomerie outlines in Chapter 9, household debt has become a 'strategic silence' – while policymakers have focused their efforts on trying to reduce the level of public debt, rising levels of household debt have been ignored. In the new economy, a publicly backed Long Term Refinancing Option will reduce the burden of debt for households and transform the way that debt and credit is governed and managed in our economy, thus helping to break the cycle of debt dependency.

At the heart of Britain's household debt problem is a dysfunctional housing market. As I outline in Chapter 10, a feedback loop between deregulated mortgage lending, house prices and ever increasing levels of household debt has been the key driver of the housing affordability crisis. While the drive towards a 'property owning democracy' has enriched homeowners, this has come at the expense of increased inequality, sharpened class divides, financial instability and growing segregation of communities along socioeconomic lines. At the same time, private developers have been left to shape our built environment in the interests of shareholders rather than human needs, and public spaces have quietly been privatised through a process of 'urban enclosure'. In the new economy, a new 'Community Right to Buy' will empower communities to take land and other assets into community ownership, a new generation of homes and new towns will be delivered by a publicly owned development corporation, new taxes and regulations will deter speculative investment, and uplifts in the value of land will be captured for public benefit.

But in a globalised world domestic progressive policies are not enough. The rules that govern how goods and services are traded with other countries affect many aspects of our lives – from how we run public services like the NHS, to how we set food standards. While historically Britain's trade policy was mediated through the barrel of a gun, in recent times it has been organised through Britain's membership of the European Union. But the vote to leave the world's largest trading bloc means that there is an urgent need to develop a new progressive vision for trade. In Chapter 11, Ruth Bergan outlines a vision for moving away from a system where trade policy is designed to serve the interests of large multinationals, and towards a more democratic system which prioritises environmental and social goals.

Britain's trade history is intimately bound up with the British Empire – a racist project of conquest and plunder. Although the sun has now set on Britain's imperial rule, racism remains embedded throughout our economic, social, and political structures. As Maya Goodfellow outlines in Chapter 12, this manifests in a multitude of ways: demonisation and maltreatment of migrants, racial inequalities in the labour market, imperial nostalgia and a national identity that is tied to whiteness. Tackling racial inequality must therefore be placed at the heart of the new economy by removing policies that disproportionately impact people of colour negatively, strengthening legislation on employment outcomes, placing anti-racism at the centre of all levels of education, and transforming the UK's draconian immigration and asylum system.

Media outlets play a critical role promoting and reinforcing racist narratives, and they also shape the 'common sense' understanding of how the economy works. In the aftermath of the financial crisis, a crisis caused by greedy bankers and free market dogma quickly morphed into a crisis caused by too much public spending and a bloated state, as a media dominated by powerful interests successfully shifted the narrative. As Tom Mills and Dan Hind outline in Chapter 13, it is clear that the present media landscape is incapable of furnishing us with the information necessary for the active citizenship that the new economy demands. New models of public ownership and greater public participation are therefore needed to decentralise and democratise our media system, and create a media that is fit for purpose for the twenty-first century.

None of these policies can become reality unless they are implemented by democratically elected governments. But as Adam Ramsay outlines in Chapter 14, Britain's democratic structures are themselves not neutral, and have evolved over centuries to protect the interests of the powerful. Whether it is the profoundly undemocratic House of Lords and monarchy; the various Overseas Territories that allow the global elite to launder their ill-gotten gains; the highly centralised model of governance which concentrates power in London; the electoral system which means that most votes make little difference; or the lack of any formal constitution – it is clear that Britain's democratic structures are a major barrier to progressive change. Democratic reform must therefore be viewed as an essential prerequisite for social and economic transformation, not as secondary to it.

The project to replace neoliberalism is not merely an intellectual endeavour. Rising temperatures, collapsing biodiversity, depleting natural resources and growing resentment towards an economic system that is widely believed to be unfair all mean that maintaining the status quo is simply not an option. The question is what comes next. I hope this volume serves as an important contribution to this debate.

Laurie Macfarlane

Economics Editor, openDemocracy

Democratic Ownership

by Andrew Cumbers and Thomas M. Hanna¹

Societies are to a large extent defined by their dominant property relations. Who owns and controls key resources, from land to finance, gets to exercise power and agency in both the present and the future. Ownership of the “means of production” therefore underpins all other societal values and interactions, including our relationships to each other, to work, to the rest of the world, and to nature. Under global capitalism, private forms of ownership are both predominant and driven by the profit motive such that the accumulation of capital on behalf of private individuals works against any semblance of the common good. Moreover, within this system of private ownership a particular form has come to dominate in recent decades – the large international corporation with shares traded on stock markets or closely held by a small group of individuals (and, specifically, large corporations that are financial in nature).

This particular form of ownership is riddled with problematic and destructive behaviour that is at the root of some of our most pressing economic, social, and ecological challenges. This includes prioritising short-term profits over longer-term investments; a relentless drive to reduce labour costs (through offshoring, internal relocation, and hostility to unions); efforts to externalise social and environmental costs as much as possible; the enshrinement of shareholder value and returns above all other considerations; accelerating inequality through both exorbitant salaries for executives and the funnelling of profits to a small group of elite shareholders; the decimation of local economies and small businesses; the use of off-shore tax havens and other tax avoidance mechanisms; and the establishment of an incentive structure that promotes financial speculation over productive investment. Large corporations are even beginning to threaten traditional measures of economic performance. For instance, recent studies have linked increased market concentration to slowing economic growth, reductions in business investment, and price rises accompanied by stagnant productivity.²

This form of ownership represents one of the three pillars of the neoliberal version of capitalism that has, until recently, seemed so dominant and unassailable around the world (the others being deregulated/unregulated markets and increasingly exploitative/precarious employment relations). However, it is becoming increasingly apparent that this system is failing; that we are reaching the point at which the unsustainable social and ecological impacts of neoliberalism push the system up against its limits, and a backlash sets in.³

The ubiquity and dominance of the corporate for-profit form of ownership in the first decades of the twenty-first century makes it difficult for many people to even conceive of an alternative and more socially equitable ways of running the economy. Yet, neoliberalism generally, and the corporate form of ownership specifically, are relatively new phenomena. For most of human existence ownership of the economy was organised along very different (although often no less problematic) lines. In the twentieth century the primary alternative was the traditional top down (often large, centralised, and bureaucratic) state owned enterprise. This form, with variants and

embedded in different macro-economic structures and relationships, has been utilised by everyone from social democrats in Western Europe to state capitalists in East Asia to communists in the Soviet Bloc.

It has also been used for a wide range of reasons. From a purely economic perspective, one of the most enduring and important reasons societies have repeatedly turned to public ownership over the years is market failure – broadly defined as the inability of markets (within a market-based economic system) to allocate goods or services effectively, or at all, or to provide collective provision for essential services and social needs.⁴ From a societal perspective, improving distributional outcomes (and lessening inequality) has been a predominant goal. Other purposes for state ownership suggested over the years include: industrialisation, planning, regional development, technology transfer, national security, employment maximisation, addressing natural monopoly, innovation, environmental sustainability, and accountability.

Contrary to the dominant narrative that emerged during the rise of neoliberalism, and the collapse of state communism, in the latter quarter of the twentieth century, state ownership was often as successful and as efficient as private enterprise. Decades of studies have yielded no consensus about the relative merits of private over public ownership, while there are many cases that demonstrate the effectiveness of the latter for economic development. Countries as diverse as Austria, Norway, South Korea, and Singapore have experienced tremendous economic success with high levels of public ownership. Furthermore, recent studies of the British experience with public ownership offer a much more nuanced picture than the accepted view espoused by Margaret Thatcher and her successors. Productivity growth in nationalised British mining, utility, transportation, and communication sectors, for instance, consistently outpaced similar privately-owned industries in the United States.⁵

Yet, this model is not without its limitations. In the UK, for instance, the post-World War Two Labour government of Clement Atlee embraced the so-called “Morrisonian” form of top-down, centralised, and bureaucratic public organisation, run by an autonomous, arms-length, appointed board. This form proved overly managerial with little participation by the public itself, whether workers, users, or the broader citizenry. It also proved difficult to defend and easy to privatize when political winds changed and Thatcher rose to power in the 1980s. Elsewhere, many state-owned enterprises (especially those in the extractive sector) had poor ecological records, and in some places were agents of cronyism and corruption.

A new vision

One result of the epic ideological, political, and military struggle between capitalism and communism throughout the twentieth century has been to reduce much popular understanding of ownership in the economy to simple binary choices: a completely privatised market economy on the one hand or full state ownership on the other. This conceptualisation, however, can obscure as much as it reveals. Economies, especially in the modern era, are (and will be into the foreseeable future) far more complex with a diversity of actually existing ownership forms. The challenge for those seeking a more just, equitable, and sustainable political economic system, however, is how to articulate an alternative vision of ownership for the common good – one that displaces and supersedes the current, dominant extractive corporate model. The change involves two aspects:

- 1) Transitioning ownership from the hands of the few to the many.
- 2) Transforming the internal structure of enterprises to enhance genuine democratic participation and control.

This new vision of ownership has many names; public ownership (in its widest sense), economic democracy, collective ownership, generative ownership, etc. However, the term democratic ownership is perhaps the most appropriate to indicate the need for a mix of models where ownership is broadly held, and/or is controlled by democratic means. The best models include both forms of democratisation – ownership and participation – because they combine positive distributional outcomes (such as decreased inequality) with the individual and societal benefits associated with increased agency and empowerment (discussed further below).

Democratic enterprises

Even though democratic ownership as a whole seeks to supplant the extractive (and exploitative) corporate model, it does not suggest that just one alternative will take its place. The importance of tolerance, pluralism, historical and geographical contingency, culture, and the environment suggests that there cannot be a one-size-fits-all approach. Similarly, while democratic theory and experience suggests that dispersing (rather than centralising) ownership and decision-making is optimal, modern economies are global in scale and increasingly complex, thus necessitating certain economic activities that need larger scale and central coordination. Therefore, the principle of subsidiarity – generally, that decision-making should be devolved to the lowest level possible – should guide democratic ownership. In other words, we should aspire towards examples of democratic ownership that are technically necessary at higher levels while devolving control of other activities as far as possible to the local level.

Moreover, while a more democratic and egalitarian economy should be largely comprised of democratically owned enterprises, some limited forms of small-scale individual private ownership should likely continue to exist to promote creativity, entrepreneurialism, and dynamism. The extent to which this is the case will vary from sector to sector and economy to economy (small retail and farms, for instance). Additionally, there should always be latitude for communities to experiment with different ownership forms and combinations in line with both local needs and desires as well as larger imperatives (such as the effects of climate change and global trade). Therefore, what follows is merely an illustrative sketch of what the mix of democratic enterprises might be:⁶

- **Full state ownership:** This form most closely approximates the traditional, large state-owned enterprise, although, as will be discussed further below in conjunction with all of these models, it should be subject to new efforts at internal democratisation. Fully state-owned companies will likely be larger and more centralised than other forms, allowing the public to influence key sectors and undertake longer-term strategic planning to secure important goals, such as dealing with climate change, building and maintaining modern electricity or transport systems, etc.
- **Partial state ownership:** This form resembles many modern state-owned companies in which the state (sometimes through quasi-independent investment vehicles) owns shares alongside private investors. For the purposes of this sketch, partial state ownership refers

to a structure in which the state owns at least a controlling interest. In other words, enough shares that it can prevail in any shareholder vote, but not necessarily a majority. If organised along similar lines as in contemporary economies (where such enterprises are given complete autonomy and charged primarily with commercial purposes), partially state-owned enterprises could provide some public influence on different parts of the economy, but would primarily serve to return profits and dividends to the public. The extent to which partial state ownership can be democratic will depend in large part on how the state's ownership share is structured and operationalised.

- **Local/municipal ownership:** This form is similar to the types of publicly owned enterprises that are numerically dominant in many countries with more decentralised political systems (such as the United States and Germany). Enterprises that are owned by governments or public bodies at the local or regional level are more closely connected to local democratic structures, individuals, and community-based groups and are, therefore, potentially more accessible, participatory, and democratically accountable. Local and municipal ownership provides better opportunities for the economic benefits of public ownership to be felt locally, often contributing to a multiplier effect that strengthens local economies and supports vital social services and environmental initiatives.
- **Multi-stakeholder ownership:** While all forms of democratic ownership can and should have multi-stakeholder internal management processes (discussed further below), multi-stakeholder ownership refers to a form in which various groups and organisations own shares of an enterprise. This can include government, workers (through a trade union or a trust), public and worker pension funds, resident associations, environmental (and other) non-profits, etc. Multi-stakeholder ownership ensures both broader representation in ownership decisions and the distribution of profits. One example is Aguas Argentinas SA in the Buenos Aires region, which was founded following a failed water privatisation, and whose shares are divided between the local government and the water and sanitation worker's trade union.⁷
- **Worker ownership:** Broadly, workers can own their workplaces in one of two ways: 1) either directly on the basis of one worker, one vote as in a traditional worker cooperative; or 2) through some representative structure, such as the retirement trusts known as Employee Stock Ownership Plans (ESOPs). Generally, individual worker cooperatives are smaller (although they can network together into bigger groupings as is the case with the large-scale Mondragón Cooperative Corporation in the Basque region of Spain) but tend to be more democratic and participatory. While representative structures such as trusts allow worker ownership to thrive at a larger scale and in bigger individual enterprises, this is offset by the likelihood of more passive and less participatory organisations. The John Lewis Partnership in the UK would be an example of the latter, commercially successful but criticised recently for losing some of its alternative ethos and values.⁸
- **Consumer cooperative ownership:** Enterprises that are owned by consumer-members are one of the most common forms of democratic ownership in contemporary modern economies. These include credit unions, grocery and retail stores, housing, schools, etc.

These operate on a one-member, one-vote basis and are usually smaller and geographically anchored, however larger scale enterprises can and do exist (especially in the retail sector).

- **Producer cooperative ownership:** Producer cooperatives are organisations that are owned by other enterprises and organisations (including, but not limited to, other cooperatives). They exist to support their members with marketing, purchasing, and other functions so that they can operate at scale while retaining their individual local ownership structures and (in the case of cooperatives) democratic and participatory governance mechanisms. In many countries, the farming sector is dominated by such cooperatives that help to protect members from destructive competition while also generating greater market power in their supply relations with retailers.
- **Community ownership:** Another way in which communities can participate in enterprise ownership is through a local non-profit organisation. Community-based non-profits can and should include direct community representation on their governing boards. The broader and more reflective this representation is of community dynamics, the more democratic and accountable it is. Moreover, these non-profits can also operate for-profit subsidiaries (called social enterprises) that both return revenues to the non-profit to support its social betterment mission and employ local residents.
- **Sustainable local private ownership:** While not necessarily democratic in their ownership structure (although some have degrees of worker ownership), sustainable locally owned businesses prioritise community, the environment, and workers alongside profits (sometimes called a “triple bottom line”). They are usually small businesses operating in a variety of fields (but especially food, retail, and design). If some degree of private, for-profit ownership is retained in a democratic economy (as we believe it must), then as much as possible it should take the form of sustainable locally owned enterprises that take a triple bottom line approach.

Between these different categories, there are numerous hybrid forms of democratic ownership that could be developed to meet specific needs in particular situations. For instance, there are emerging experiments around the world with so-called “public-public partnerships” whereby governments (at varying levels), consumers, trade unions, and or other stakeholders come together to form and reform enterprises and networks. In the United States, for instance, this occurs in the water and electrical sectors with regards to municipal utilities joining in networks with other municipal utilities and national entities to achieve the benefits of scale while retaining a decentralised system with local control. Similarly, varying jurisdictions often come together around the ownership and control of transit systems and infrastructure.

Each form of democratic enterprise has its advantages and disadvantages, and the right form (or mix of forms) will depend on a variety of factors, the most important of which is the objective. As the economist E. F. Schumacher wrote: “Public ownership gives complete freedom in the choice of objectives and can therefore be used for any purpose that may be chosen. While private ownership is an instrument that by itself largely determines the ends for which it can be employed, public ownership is an instrument the ends of which are undetermined and need to be consciously chosen.”⁹⁹ The statement holds for most, if not all, forms of democratic ownership. Even those cooperatives that are for-profit businesses have the freedom to democratically determine how

those profits are used (they can be reinvested in the business, distributed to workers/members as dividends, donated to charity, etc.).

Broadly, in addition to the general goal of economic viability (note, that this is a very different objective than traditional conceptions of “efficiency”, focused purely on financial measures that fail to properly account for additional economic, social, and environmental values and outcomes), some broad objectives for democratic ownership are as follows:

- **Securing public control of the economy’s strategic sectors (“commanding heights”):** To secure the objectives of being able to establish democratic control over key sectors and undertake longer-term strategic planning around issues of large-scale, national or international importance, traditional public ownership strategies such as full state ownership and local/municipal ownership are likely most optimal. Depending on factors such as degree of public control and accountability/transparency, partial state ownership and multi-stakeholder ownership could also play a prominent role in this regard.
- **Dealing with issues of market failure:** Arguably, all forms of democratic ownership can address issues of market failure.¹⁰ However, those enterprises that are more reliant on markets (such as worker owned companies and consumer and producer cooperatives) may have more difficulty and need certain public supports. For instance, cooperatives or community owned enterprises located in or serving severely disenfranchised communities may need help in the form of public contracts, grants and loans, and training and development assistance to become profitable and fulfil their mission.
- **Achieving greater economic decentralisation and local community control over decision-making:** While local and municipal public ownership is theoretically the optimal form for this objective (due to its potential to incorporate *all* members of a local community into the ownership and management of the enterprise), in contemporary practice multi-stakeholder ownership, worker ownership, consumer cooperative ownership, producer cooperative ownership, and community ownership can be as good, if not better.
- **Achieving distributional justice (equal and fair provision across a national/regional territory) and reducing inequality:** Full state ownership and local municipal ownership are best suited for distributing the material benefits of democratic ownership as broadly as possible at various scales. In such forms, all residents within a specific geography benefit from the enterprise in the form of services or revenues (and the ancillary benefits of lower tax rates to fund services). Depending on how they are set up, partial state ownership and multi-stakeholder ownership can also be deployed to meet this objective. By giving ownership rights to a smaller group of individuals (even if that group is broader than in the economy as a whole), worker ownership, consumer cooperative ownership, and producer cooperative ownership is less beneficial. To the extent that such ownership builds wealth for specific groups of owners, it could actually exacerbate inequality and create new forms of vested interest that work against the common good. It would also have different effects depending on the particular sector. For instance, worker ownership in, say, custodial services will have different wealth and income opportunities than one in financial consulting services.

- **Achieving environmental sustainability and tackling climate change:** Full state ownership and local/municipal ownership has the greatest freedom of choice of all the forms presented. Just as how, traditionally, they have played a prominent role in the extractive energy sector (mining and burning fossil fuels), they can – and increasingly are – being deployed to achieve environmental sustainability and facilitate both the renewable energy transition necessary to tackle climate change and the changes required in other key infrastructure sectors such as water and transport. Moreover, due to their size (and because many are vertically integrated) these enterprises can bring significant resources and affect large-scale change when oriented in a more ecologically conscious direction. While many worker, consumer, producer, and locally owned enterprises are ecologically sustainable and can play a role, they tend to be smaller (and thus their impact is less). Moreover, to an extent they all face market pressures that could cause them to externalise environmental costs in certain circumstances. Ultimately, local and national state forms of ownership are imperative to ensure a coherent integrated strategy and regulatory framework for addressing climate change.
- **Developing greater participation in decision-making and strengthening democracy:** To the extent that they are organised along the principle of one person, one vote, worker owned firms and consumer cooperatives score highest in terms of internal democratic participation and engagement. Moreover, there is substantial research on the societal and economic benefits of increasing participation and democracy (discussed further below). When it comes to the public ownership forms, evidence suggests that the closer those enterprises are to community members (i.e. local/municipal ownership) the greater the possibilities for participation in internal decision making. As the scale of such enterprises increases, so too does the difficulty of maintaining and encouraging genuine participation and democracy.

Democratising ownership

As previously mentioned, the second – and critical – aspect of democratic ownership is internal democratisation. All of the forms of democratic ownership previously described are based on real world examples, and in contemporary practice have varying degrees of democratic participation and control. Confronted with the rise of a particularly vile form of right-wing populism in recent years, many defenders of the established order, often professing to be liberals or “centrists,” have rejected economic democracy when it does not deliver their preferred market-based outcomes in favour of rule by an international technocratic elite. Like the American pragmatist philosopher John Dewey 100 years ago, we reject this approach. The flames of right-wing extremism masquerading as populism simply cannot be defeated in this way and are only more likely to be fanned by the increased sense of alienation and loss of control. Instead, the answer must include a process of genuine democratic engagement and participation, especially in the economic sphere. What we need, in short, is more democracy, not less. There are at least four fundamental and interconnected reasons why broader and more robust forms of internal participation and democratic governance are desirable:

- **Democratisation can have wider social and economic effects and benefits:** The theory that deeper and more direct forms of democratic practice have distinct social

advantages has been widely studied, especially since the 1960s and 70s. These include the individual psychological benefits of empowerment and self-development, social benefits such as increased community cohesiveness and dialogue, increased civic participation and engagement, reduced inequality, and greater productivity.

- **Democratisation can improve the efficiency and effectiveness of the enterprise:** Active and broad-based participation of workers, community members, and other stakeholders can deliver better outcomes by tapping into the practical knowledge of those groups regarding operating conditions on the ground. In the US, the UK, and elsewhere, there are examples where enterprises have achieved significant cost savings (and avoided layoffs) by partnering with their workers and other stakeholders to improve effectiveness and stimulate innovation.
- **Democratisation of work is a fundamental component and pre-requisite of genuine political democracy:** Often referred to as economic democracy, there is an understanding among some political theorists (especially the prominent US political theorist Robert Dahl) that political democracy cannot truly flourish in a society in which wealth, power, and decision-making is concentrated in a small elite group of private owners who appropriate the labour of the mass of the population for their own ends. What starts off as an individual right to ownership of one's labour leads to a fundamental democratic need to have voice in the decision-making process in the economy as a whole. In 1937, for instance, John Dewey wrote that "unless democratic habits of thought and action are part of the fiber of a people, political democracy is insecure. It cannot stand in isolation. It must be buttressed by the presence of democratic methods in all social relationships."¹¹
- **Democratisation empowers and builds the capacity of groups and individuals that have traditionally been excluded:** This includes, but is not limited to, workers in particular enterprises. In the UK, the US, and other advanced economies, the employed make up less than half of the total population. While workers may have some minimal participatory rights (through trade unions or employee ownership schemes), retirees, students, the disabled, and the unemployed are all excluded from direct participation. Moreover, racial minorities and women are often under-represented in workplace, especially at managerial and decision-making levels. And, of course, the natural world – from which so much is extracted and to which so much harm is done – has no representation at all.

What internal democratisation could look like will vary based on the type of ownership form and, likely, from enterprise to enterprise. Given that they are responsible to the community as a whole, traditional publicly owned enterprises (full state ownership, partial state ownership, and local/municipal ownership) should embrace a multi-stakeholder structure whereby workers, users and/or residents, and other groups (including NGOs and other levels of government) come together to set the goals and objectives of the enterprise (and to hire or fire management) alongside robust worker participation in the form of work councils and trade unions. Multi-stakeholder ownership should incorporate more groups in the management and decision-making structure – particularly groups representing the environment and historically marginalised populations. Worker owned enterprises should find ways to incorporate the wider community, especially

consumers of their products or services, into their decision-making structure. Beyond this, they should embrace methods and structures that incentivise and promote the active participation of workers in decision making and avoid as much as possible relying on non-cooperative labour. Conversely, consumer cooperatives should find ways to incorporate workers into their governance structure, through co-determinationist models or trade unions (or both). Producer cooperatives should, on the one hand encourage their member organisations to adopt more participatory internal governance structures, and on the other hand, include consumers and other groups into their associations. Community ownership should ensure that the community served is accurately and equitably represented in governance structures (especially with regards to race, class, and geography). When such non-profits own and operate social enterprises, these should include robust worker participation mechanisms and incentives. Sustainable locally owned businesses should, like many have in the United States, consider converting to worker ownership through an ESOP. This gives workers ownership rights (with limited decision-making powers). However, even if some degree of worker ownership is established, more robust forms of worker (and community) participation can and should also be implemented.

In every enterprise robust and comprehensive management and participation training programs should be established in order to prepare workers, community representatives, and other stakeholders for active engagement. Moreover, in the traditional publicly owned enterprises (as well as community ownership) democratisation should include increased transparency and accountability. This goes beyond the simple call for better oversight and reporting standards (and rejects efforts to corporatise public enterprises and run them purely on commercial lines). It involves the use of not only public meetings and records requirements, but also new online and digital tools to ensure the widest access and accessibility (including ways to make complex documents and processes understandable to the average resident).

From here to there: strategy and implementation

As previously mentioned, all of the different forms of democratic ownership articulated in this model exist in the contemporary economic system in one form or another. The key question is how, collectively, they displace, over time, the extractive corporate model. Based on historical and contemporary experience, we know some of the possible ways of scaling up through state action (while not discounting the imperative to also organise from the bottom up in support of expanding such institutions, which is briefly discussed below).

A national or powerful regional government has broad powers available to it to both compel and incentivise changes in ownership. Through traditional, top-down nationalisations the central government, using its supreme legal authority, can bring key sectors into full-state ownership (as happens regularly around the world, including in the US and the UK during the financial crisis ten years ago). Through various investment vehicles (agencies or funds), the central government can also purchase ownership shares in enterprises, thus converting them to partial state ownership. Local/municipal ownership can be expanded through (re)-municipalisation campaigns – often involving coalitions of community groups, workers (and their unions), and local civic leaders – that reverse the tide of privatisation and break new ground for public ownership at the local level.

Multi-stakeholder ownership can be scaled up through a variety of ways; for instance, governments could give ownership stakes in publicly owned enterprises to workers and other stakeholders on

the one hand, and take ownership stakes in cooperatives and other enterprises in return for investment on the other. Government could also pass legislation that provides preferential tax treatment and other incentives to enterprises that have multi-stakeholder ownership structures. Similarly, worker ownership can be enabled through supportive legislation at various levels of government. This can include a “right to buy” for workers when an owner is contemplating selling the enterprise, tax incentives to sell to a workers’ retirement trust, public funding (in the form of grants and loans) for setting up or expanding worker cooperatives, investment in technical and training capacity (such as state-funded worker ownership centres), or allocating public procurement contracts to worker owned companies. For community ownership, consumer cooperative ownership, and sustainable local private ownership, many of the above public supports also apply (especially tax status, public contracts, and technical assistance). However, here one of the primary needs is financing. Governments can create revolving loan funds, banks, and other investment vehicles to lend to such entities (perhaps through a private, non-profit intermediary and perhaps with preferential rates).

Within all of these ownership forms, there are also examples of pathways towards internal democratisation. Some of these include: multi-stakeholder processes in North America (and elsewhere), the multi-level democratic processes of the Mondragón cooperatives, experiments at worker self-management in Yugoslavia (and elsewhere) during the twentieth century, democratic processes in reclaimed factories in Argentina, Greece, and other countries that have experienced neoliberal-driven economic crises, and the participatory budgeting movement that has spread from Brazil to the rest of the world.

There are of course, a variety of challenges to activating these pathways. Many require enabling legislation at various levels of government. In many countries, this is a daunting prospect, given the political and economic power of large corporations and their entrenched beneficiaries. There is also the challenge of the constraints placed upon such activities by the international institutions and agreements of the neoliberal era (the World Trade Organization and the European Union, for instance). In order to actively pursue some of these policies (especially around procurement, state aid, and public ownership) in any substantial way (other than at the margins), governments will have to find ways to either renegotiate their involvement in, or extract themselves from, such institutions. On the other hand, given the guiding principle of subsidiarity that underpins the democratic ownership model, there will need to be greater processes of political decentralisation in the more centralised and unitary states such as the UK in order to operationalise some of these pathways (especially with regards to local/municipal ownership and public contracts to local and cooperative enterprises).

Next steps

Fortunately, because the forms of democratic ownership articulated here, as well as the means of scaling up, are based on real-world precedents, there is much that can be accomplished now to lay the groundwork for what could and should be done if and when a national government committed to these ideas comes to power. These can roughly be divided into three, overlapping themes.

- **Organising:** In order to take on deeply entrenched vested interests and ultimately displace some of the most powerful economic actors in human history (large international corporations), popular mobilisation will be crucial. Organising for democratic ownership

at various levels and across multiple sectors is already occurring – for instance with re-municipalisation campaigns and worker cooperatives – but much more can be done to build strong and sustainable coalitions of workers, residents, consumers, trade unionists, policy makers, environmentalists, and others.

- **Theoretical development:** What forms of democratic ownership are most appropriate for particular sectors and industries in a modern economy is, at best, understudied. So too is how best to democratise enterprises internally. Much still needs to be learned – including with regards to trade-offs that will need to be made, pitfalls that will need to be avoided, and challenges that will need to be overcome – in order to provide an incoming government with the tools it needs to effectively move in the direction of democratic ownership. This includes the detailed legal analysis and policy development that will enable a government to quickly implement wide ranging reform.
- **Experimentation:** Both the theoretical development and organising work should not occur in a vacuum. They should be consciously linked to each other and to an ongoing process of real, on-the-ground experimentation. Ultimately, such experimentation not only provides critical information into what works, what doesn't work, and what can be improved, but it also materially impacts (and benefits) the lives of people living in the current system and builds a constituency of support for further development.

The model presented here envisages a mixed economy populated primarily by a diversity of forms of democratic ownership. It is in opposition to the increasingly corporatised and financialised system of private, elite ownership and control that currently exists. A key principle is that of “decentring” the economy by encouraging a diffusion of economic decision making both across the economy through a variety of different democratic forms of ownership (ranging from national and local public ownership to cooperative and worker-ownership, to multi-stakeholder and hybrid forms) and within enterprises at all levels. There is no one model of democratic ownership applicable in all contexts, but distinctive forms will be appropriate in different economic sectors. At the model's core is the belief that the concept of ownership and control in the economy needs to be radically rethought to be relevant to the rapidly changing world around us. The gap between positive theoretical visions of future alternative institutional arrangements and our terrifying contemporary reality of rising right-wing populism on the one hand and impending climate catastrophe on the other must now be closed – and quickly. Now more than ever it is critical that we develop viable and practical expansion and transition strategies for a plausible vision of a more democratic economy capable of attracting real support.

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Endnotes

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- ⁶ In modern discourse, the term *enterprise* often refers to economically productive entities or business organizations. However, for the purposes of discussing different forms of ownership, enterprise will also be taken to include services and other entities (such as schools, universities, hospitals, roads, parks, and land) in this paper.
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Building Digital Plenty: From Data Enclosure to a Digital Commonwealth

by Mathew Lawrence and Laurie Laybourn Langton¹

The digital giants occupy the commanding heights of the contemporary economy. Of these, Facebook, Alphabet (the parent company of Google), Amazon and Apple dominate; they have accumulated the most data, developed the best analytical capabilities and gained greatest ownership of the foundational infrastructure, from mapping to cloud computing, that underpins all digital technology.

In turn, immense wealth and power is generated from the many and enjoyed by a few. Apple is the first trillion-dollar company in history. Jeff Bezos, the founder and owner of Amazon, is the richest person in history, with his net wealth increasing by \$400 million dollars a day in 2018. The tech ‘Big 5’ – Amazon, Apple, Alphabet, Facebook, and Microsoft – have a combined annual revenue larger than the GDP of 90% of the world’s countries.

Critically, this wealth is generated by a business model founded on the extraction and analysis of data generated by users of the platforms for profit and control of the digital infrastructure; a business model that is increasingly responsible for serious economic, social and political problems. Crucially, these problems are neither glitches nor temporary phenomena, but are rooted in the purpose and revenue model of most major platforms.

Overall, this model drives the dominant digital platforms towards a new and universal ambition: entry into more and more markets, to then enclose customer access to those markets within the infrastructure of the platform, for the ever-expanding extraction and analysis of behavioural data for profit. The seemingly boundless ambition of the platform giants is driving the rise of what Shoshana Zuboff calls ‘surveillance capitalism’. Whereas profits once flowed from goods and services under industrial capitalism, then financial speculation under financial capitalism, profits are increasingly derived from the surveillance of platform users and service providers by the platforms, and the monetisation of aggregate data through analysis and the selling of insights to third parties. Surveillance mechanisms have also extended deeper into the everyday operation of both the physical and digital economy.

In sum, the business model of the digital giants concentrates economic and technological power, contributes to rising inequality, threatens privacy and democratic principles and norms, and increases work insecurity, among others. However, through a different politics, these technologies could be harnessed for the common good, producing better, more liberating and equitable outcomes.

Data enclosure

Currently, the development and control of the digital infrastructure is in private hands, and data is a commodity that is captured and stored privately to be monetised for private gain. Crucially, the means of gaining value from data are mostly owned by private interests, with limited rights or technical capability enjoyed by the individuals or groups who co-produce the data. Moreover, the potential of that data is constrained through limited access, fragmentation and non-interoperability, meaning the development of products using data are driven by private interests rather than to address collective problems, and their (largely monetary) benefits are privatised.

Under such an arrangement, transparency is minimised, and regulatory and enforcement mechanisms are limited. In turn, individuals have lost control of much of their data, eroding personal privacy, security and autonomy. Furthermore, private ownership over data, analysis and insights means that digital monopolists are leading the development and ownership of AI technologies and control the digital infrastructure upon which much of modern life relies, and therefore are set to hold great sway over the foundation of future social and economic relations.

This could limit access to opportunities in much the same way that concentrated land ownership resulting from enclosure contributed to an exponential rise in inequality over the course of the Industrial Revolution. Land enclosure was a proximate cause of the British Agricultural Revolution, which, in increasing labour productivity and the urban population, set the preconditions for the Industrial Revolution. In turn, the power dynamics in society and the economy established by the Agricultural Revolution helped determine the distribution of rewards from industrialisation, opening up large inequalities. The development of AI by a few firms, and access decided by means to pay, could be creating the conditions for large inequalities to open up when AI technologies become more widely adopted. In much the same way as land, data could be pooled as a common resource for shared gain or captured for private benefit.

Moreover, surveillance capitalism reflects a deep neoliberal rationality, which seeks to drive marketisation into larger parts of society. This includes the penetration of economic transactions into social interaction, with, for example, blockchain technology potentially enabling social media platforms to monetise social interaction through charging micropayments when users interact. The development of the digital economy under neoliberal conditions therefore risks deepening broader trends: the hollowing out of collective agency and the extension of market values; the growing power and privileging of capital over labour; and growing inequalities of power and reward in economic life. As the capability and reach of these technologies deepens, the urgency to detach them from neoliberal structures grows ever more pressing.

The vision for change: a digital commonwealth

We stand at a crossroads. There is huge potential in a democratically governed digital economy. As yet, however, its development has been almost entirely market-led, with little to no strategic policy response from governments around the world. Another world is possible. Data could become a collective resource, available to realise a wider variety of ends by a broader range of actors; digital infrastructure could be a public good, underpinning new forms of collaboration, creativity and common power.

To that end, data and digital infrastructure should be organised as a collective resource. Public policy should shape the production and distribution of data and digital infrastructure for the

common good, moving from conditions of monopolistic data enclosure to a thriving, creative and pluralistic ‘digital commonwealth’, where the vast potential of collectively developed data helps develop the wealth, creativity and capacity of all in society.

This should cover data generated by the interaction of users with platforms as well as the data on individuals collected and stored by the state. It should also rethink the ownership and governance of underlying digital infrastructure.

To realise this goal, we need to reimagine how these technologies are used; a new vision for how the digital revolution can precipitate a revolution in justice and prosperity. This requires recognising that data, and the value generated from it, is a collective achievement made possible by complex and connected layers of public and private infrastructure and investments in people, machines, software, standards, processes, practices and cultures.

We must match the boundless ambition of the digital giants with a bold strategy rooted in rethinking how data and digital infrastructure is governed, owned and used. Our data is driving a dramatic expansion in collective social intelligence, which could enable enormous progress in almost all areas of society – from improved diagnostic technologies in healthcare to dramatically increased (and non-market led) efficiency of resource use across economic activity. If we want to reshape the behaviour of platform companies and ensure that the collective intelligence explosion enabled by the mass analysis of data helps solve our most pressing challenges, from climate change to the fair allocation of goods and resources, we will have to reshape the governance and ownership of digitally generated data and the underlying infrastructure. In short, we must overthrow the data oligarchs and build a digital commons.

Digital technology for the public good: policies for reform

We recognise the limits of the UK’s domestic levers given the international nature of the digital economy and challenges of jurisdictional power. Nonetheless, we do not believe we are powerless; more can be done with bolder policymaking and a more ambitious politics. With the power of platform giants growing, the real is incrementalism; radical measures are the safest.

An institutional redesign of the governance of the digital economy, in particular governance of data and the ownership of digital infrastructure, should aim at four key outcomes:

1. Prevention of platform companies growing too dominant within existing sectors and as they enter new markets.
2. Limiting how much personal data (that which is leveraged by platforms from a user, such as consumer preferences and social details) is aggregated and privately owned by dominant platforms, making this data safely available to a much wider range of companies, public bodies and community organisations.
3. Making public sector data (that which is collected and used often by the state) interoperable, reliable and more secure.
4. Making data more widely accessible to entrepreneurs, companies (including social enterprises), civil society and public authorities.

To meet these objectives, we recommend four main measures in a strategy to deliver the systemic change needed to redirect the development of the digital revolution towards realising the potential of digital technology to improve the public good.

1. Reform competition law

The nature of the digital economy and data-driven business models poses challenges to traditional competition authorities, as they often provide services free at the point of use, grow rapidly and into new markets, and operate across borders. In response, we recommend that the Competition & Markets Authority (CMA) is tasked with judging mergers and acquisitions in terms of potential constraints on innovation, not just a traditional assessment based on the consideration of prices and consumer switching behaviour. Assessments should understand the potential negative effects on suppliers to the platform, which might suffer from its dominant power. Crucially, it should be able to limit or block mergers and acquisitions which are likely to reduce innovation within a given sector.

This should be supported by stronger powers to regulate entry into new markets by platforms; the CMA should be able to block horizontal market entry where acquisitions would lead to citizen detriment, slowing potential rates of innovation, and excessive market power. The CMA should also be able to require platforms to open up data if they are allowed to enter certain markets in which they would have an unfair data advantage, such as banking or healthcare.

2. Regulating the digital giants as utilities

The digital giants provide the services needed by many to live, work and communicate in the modern age. These services are becoming increasingly important in opening up key social and economic opportunities for citizens, and therefore could be seen as public goods. As such, we believe the platforms providing them should consequently be regulated as modern utilities, as much of the telecommunications sectors already is, through Ofcom.

We believe there are five categories of platform activity that, because of the essential and non-substitutable nature of the services being offered, mean they effectively function as utilities: searching, connecting through social media, matching consumers with suppliers, communicating services like email, and backbone infrastructure, including cloud services.

Regulation would be contingent on the level of market dominance across these utility areas. In practice, for example, this would mean that not all of Alphabet's activities would be regulated like utilities. Research and development like DeepMind, services like Google Pay and products like Chromecast would not be covered. But where it provides infrastructural goods – most obviously in Google's search engine, the dominant search engine in the UK and globally – it would be subject to tighter regulation as a condition of operation. In particular, regulated platforms would be required to have a licence to provide services to UK customers, with a licencing fee being charged as a fixed proportion of UK turnover. This should be overseen by a new regulator, the Office of Digital Platforms (OfDig), which should also have powers to:

- Require companies (and public institutions) to keep audit logs of the data they feed into their algorithms and be prepared to explain their algorithms to the public on request.

- Develop and accredit compulsory professional credentials for those programming and operating AI and algorithmic technologies.
- Have the power to intervene and regulate data collection practices and uses, including, for example, banning the use of social data for the development of credit scoring.

3. Establish a public corporation to open up and democratise data

The value of public datasets should be unlocked for the common good. There is a wealth of data generated in the public realm, collected by a range of major public institutions, which could be a resource for collective wealth building. Moreover, there is the capacity – but not yet the vision – to develop an alternative public infrastructure for the digital economy.

To address this, we recommend that a new public corporation, Digital UK, should be established with two main goals: to better curate public data and maximise its productive, collective use; and to make the UK the world's most open and accessible digital jurisdiction by 2030 through the creation of a network of public databanks, the opening up of private sector data at scale, and the development of a public digital infrastructure. Digital UK should be established by statute, with an independent and democratic governance structure. It should perform a number of key functions:

- Be responsible for the standardisation and interoperability of data across the public sector and lead the development of the public realm's digital capacity.
- Create public stakes in the next generation of innovative digital businesses, to ensure the public share in the success of the next generation of platforms.
- Establish a national data portal index for all open data.
- Administer a Digital Citizen Account, providing each UK citizen with an online profile through which they can aggregate, access and manage key personal data.

Into the future, Digital UK should work with OfDig and the CMA to explore the opening of APIs for platform incumbents in certain markets, in conjunction with local authorities, based on an assessment of the potential for public benefit and innovation potential from the data. In the five areas of regulated platform utility activity, the presumption should be to open private datasets, as productive use of this data constitutes a valuable public good.

4. Local digital commonwealth building strategies

Alongside a national strategy, towns and cities are crucial in charting a different digital future. The increased entry of new platforms with different forms of ownership should be encouraged at local levels across the UK, including social enterprises and those owned by local authorities, into both markets with and without existing operations from universal platforms. This more 'mixed' digital economy could improve the conditions for the common benefit of the digital revolution. We call this a 'digital commonwealth'. Overall, we recommend that the UK government and local authorities produce and implement local 'Digital Commonwealth Strategies' to drive the development and deployment of local platform services and assets.

Local, place-based Digital Commonwealth Strategies should be at the forefront of how we reimagine how data is generated and used and digital infrastructures are developed and owned, learning from innovative practice in cities such as Barcelona, while adapting to place-based needs. In doing so, they can help towns and cities regain control of data and democratise urban technologies, helping them move beyond unequal neoliberal growth models.

Digital Commonwealth Strategies should seek to ensure value is retained and circulated among communities where data is generated, and provide economic, social and environmental value. The wealth of information contained in a new network of public data bank(s) should underpin local digital strategies, enabling local authorities, businesses and civil society to better access public data, enabling the creation of locally relevant tools and services. It could also be undergirded by the development of other public digital infrastructures, led by Digital UK, like a public cloud, to broaden who can analyse data at scale, organised on different principles to commercial competitors.

While being flexible to the needs of local communities and economies, each strategy should be underpinned by four key principles and aims: shifting the legal regime around data to make it accessible and supporting the accumulation of public data; ensuring open and interoperable data wherever possible; reclaiming digital infrastructure, including democratising both access to data and analytical capability; and using public procurement to open up private data. In particular, Local Digital Commonwealth Strategies should include measures that:

- Encourage innovation in the digital delivery of local services, including by public authorities, civic organisations and social enterprises. This could range from using data to provide local transport services, healthcare apps, and democratic tools.
- Build local digital infrastructures that are open source and favour interoperable, neutral architectures, instead of locking local government into privately provided and closed digital systems that extract and enclose data and its resultant value .
- Open up data from the private sector through the use of public procurement conditions. As is increasingly happening in leading European towns and cities, local authorities can use public procurement to open up the data generated by private companies through their interaction with the public realm, making it a condition of procurement contracts.
- Pluralise ownership within the digital economy through the local authority actively encouraging the development of new digital services by innovative companies with a range of ownership models, including social enterprises and cooperatives.

Tensions and debates

There are two primary areas of debate: what institutional form a radical digital agenda should take, and relatedly, what are the jurisdictional and practical limits of ‘digitalism in one country’.

On the first point, there is an argument that the most systematic approach to tackling the power of the digital giants – and their monopolistic qualities – is taking them into public ownership, hence the demand, ‘Nationalise Facebook’. This raises clear questions around jurisdiction and scale; most of the major digital companies are either American or Chinese, and of such size and value that international co-ordination would be required to take them into some form of public

ownership. As such, it arguably is more useful as a rhetorical demand, rather than constituting the programme of a radical government in the UK.

Indeed, within the context of the UK, a radical transformation in the governance and ownership of data and the underlying digital infrastructure – including creating publicly owned alternatives – strikes at their nodal power in society while allowing for a more democratic, innovative and open digital economy to emerge. This is both achievable and a radical and democratic shift in the direction and nature of the economy as a whole – a form of 21st century socialism in action.

There is also potential tension in questions around jurisdictional limits and ambition. We recognise there are genuine limits to what action in the UK alone can achieve; clearly many of these issues will require concerted international co-ordination and political governance. Nonetheless, the agenda we have set out can be pursued to radical effect without hitting any barriers of jurisdiction.

From here to there: strategy and implementation

Analyses and policies without action and durable implementation of change are of no use. What is required is to match these with a strategy – including an order of prioritisation – that will enable the embedding of institutions capable of reimagining the digital economy.

To that end, on Day One a radical government should begin the process of establishing Digital UK as an institutional driver and bulwark of a new digital commonwealth. It would create the institutional space, constituency and levers to enact change and act as a public counterweight and source of open innovation.

At the same time, and ideally drawing on existing examples of local innovation and radicalism, a radical government should trigger the development of local digital commonwealth strategies, requiring that every local authority begins a process of consultation and implementation on reclaiming local ‘data sovereignty’. This is important for two reasons. First, it makes real and visible what an alternative Left digital strategy means for people and places far removed from the ‘Silicon Roundabout’ and other major UK tech clusters, binding in interests. Second, it would begin to generate new types of institutions and organisations serving local needs, that in turn would provide political support for an alternative digital strategy.

It is vital to deepen both local support and quickly institute a powerful national institute capable of reshaping data and the digital infrastructure because the next step of the agenda – regulating certain platform activity as utilities, opening up private data sets that are in the public interest, and developing public databanks – will be almost certainly challenged by the major digital companies, given it strikes at the source of their power. However, if institutions are embedded that open up the data of the major private monopolies, rein in the power of the data oligarchs, and create a public digital infrastructure that drives inclusive innovation and democratic participation, then a radical agenda can put down durable roots.

Next steps

There are two major gaps where further research and technical policy development is urgently needed if we’re to build a different digital economy.

First, more detail is needed on the legal instruments and legislative action required to reshape and democratise governance and ownership of data. Second, further work is required on what the priorities should be for the development of an alternative public infrastructure, how it should be scaled and costed, and what are the technical gaps that must be overcome.

To shift the balance of power on this issue, it is critical to unite a broad range of interests behind a strategy for democratising data and the digital infrastructure. This can be done by surfacing the common interests of disparate groups who lost out with the status quo – whether those concerned about privacy, the economic effects of monopoly, smaller firms shut out of innovation, civic groups who would benefit from access to data, local authorities who would benefit from public data curation etc – and who have an interest in a more ambitious public agenda.

Fortunately, there is ample opportunity to prefigure alternative arrangements in the here and now. Taking inspiration from cities such as Barcelona, local authorities, city deal regions, or the Mayor of London could act now to begin to rework contracts to ensure data generated in the public realm remains public, take infrastructural projects back into public control, and better curate their data to open up to the public. Reclaiming data sovereignty, as Francesca Bria has argued, can happen at the local level, advancing ahead of any national policy change.

Critically though, local action isn't enough. The boundless ambition of the platform giants marks a potential step-change in the wealth and power of private economic actors. If there is one thing the Left can do to create real change in this area, it is to make clear and public the transformative power of the tech giants – and the need for an emancipatory vision and politics of our own to shape digital technologies and data toward the common good.

Further reading

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Endnotes

¹ Laurie Laybourn is Director of the UK Health Alliance on Climate Change, which represents over 600,000 health professionals in the UK on climate change, a Senior Research Fellow at IPPR, where he leads a project on understanding and responding to environmental collapse, and Co-Chair of Trustees of Rethinking Economics, the global student movement to change how we teach and practice economics. Mathew Lawrence is a Senior Research Fellow at IPPR, where he leads on economic systems change, and is Editor of IPPR Progressive Review, published by Wiley. He is the founder of the Ownership Transition Network, which campaigns for democratic ownership of the economy, and has published widely on the topic, including with NEF and Labour's Alternative Models of Ownership report.

3

Work and Free Time: A New Social Settlement

by Will Stronge¹

The dominant approach of policy-makers to the UK labour market, to working life and to unemployment is no longer fit for purpose. We continue to use the policies and withering infrastructures of post-war industrialism, whilst the composition of the workforce, the nature of jobs themselves and the productive powers available to us have drastically changed. We need to move toward a new settlement in order to secure out-of-work security and in-work prosperity.

If ‘hard work’ at your job ever guaranteed an improvement in your situation, this is far from assured today. The share of national income going to wages and salaries is in decline while the share going to capital is expanding, meaning that simply owning assets such as shares or housing is a more expedient route to economic success. Recent research has shown that over time and across the globe, a higher capital share (and lower labour share) is linked with higher inequality in terms of the distribution of personal incomes.² As it stands in the UK, ten percent of the population own fifty percent of private wealth.³ Unsurprisingly, some are calling this new economy ‘rentier capitalism’, wherein value is extracted rather than created⁴ and where ‘work does not pay’.⁵ The deployment of automation technologies over the next few decades, if left unchecked, will most likely exacerbate this inequality.^{6 7}

Workers are not getting their due in other, more subtle ways too. They put in large amounts of unpaid overtime⁸; are commuting for longer than they were ten years ago⁹; are earning less in real terms than they have for over a decade¹⁰; and are suffering remarkable levels of in-work poverty.¹¹ The amount of precarious jobs – those which cannot guarantee a secure livelihood – has risen sharply this century, with over one million zero-hour contracts deployed in 2017.¹² We have also seen a drastic increase in the amount of people now drifting in and out of work in the UK. Since 2006 we have seen 60% more people move between a job and unemployment, propagating a ‘low-pay, no-pay cycle’.^{13 14} Consecutive, regressive labour legislation such as the Employment Act (1980) and the Trade Union Act (1984), as well as the present failure to clamp down on bogus self-employment, have contributed to the neutering of worker power and have allowed the above scenarios to emerge. It has been estimated that the UK is the country with the second lowest level of collective bargaining coverage in Europe.¹⁵ Today, some have estimated that the coverage is now less than 20%, in comparison to coverage of above 70% in the 1960s and 1970s¹⁶. This decline has been facilitated in large part by hostile policy: even Tony Blair once remarked that British law on trade unions is the “most restrictive in the Western World”.¹⁷

Outside of the wage relationship, women carry out 60% more unpaid work than men, including things like cooking, childcare and housework.¹⁸ This activity of social reproduction – essential to our society and economy – still remains generally naturalised and undervalued as ‘women’s work’. Such a stigma can compromise women’s equal participation and pay in the labour market.¹⁹

Our welfare system is also out of date. Universal Credit is currently failing on a number of counts, even according to the government's own analysis. The National Audit Office recently found that one in five claimants do not receive their payments on time and that Universal Credit is creating additional costs for local organisations that are feeling the strain it imposes on recipients.²⁰ Another thorough report has concluded that the employment outcomes of the system of welfare conditionality are negligible: while some participants found jobs, others simply drifted back into unemployment.²¹ Punitive disciplinary techniques and reactionary legislation such as the Welfare Reform Act (2012) have not succeeded in their aims, and have left a trail of psychological and social devastation in their wake.

The vision for change

A vision for the future of work must have the values of freedom, equality and sustainability at its heart. Real freedom in this sense means the capacity to have a dignified life outside of wage dependency, outside of the worst effects of the workplace and outside gender-defined work roles as much as possible.²² Broadly conceived then, the move towards a healthier and more sustainable work culture is the move towards a politics of free time.

This requires understanding time as a resource and control over it as inherently political. The time people spend in the workplace has varied greatly throughout history, and still today varies widely between countries. This means that what we consider to be a 'natural' amount of time to spend at work today is in fact a relatively recent invention. The nine-to-five, five-days-a-week model for full-time work has been dominant for no more than 60 years, and even this normalised model is now being disrupted. Working time is a political choice.

Equally, we should note that work is not reducible to gainful employment. The deeply unequal, gendered division of labour that exists within UK society requires a recognition that housework and care also count as work and that therefore the politics of time applies here too. Whilst reducing the waged working week is a way of increasing the possibility of a more equal sharing of family, household and caring responsibilities between genders, it is not by itself sufficient. Extended paternity leave, expanded childcare services and ultimately a cultural shift are also needed to achieve equality in this domain.

The aim of expanded free time can and should be achieved in part via the use of technology. Up until now the deployment of technology has largely been a function of businesses in the pursuit of profit (despite the technologies themselves often being the result of public investment or subsidy). But automation technologies have always held the (fettered) potential for what Raymond Williams called 'the humane choice', that is: saving people from the burdens of labour. Designing policy on automation in the interests of workers should be seen as an opportunity to create an economy that serves the population and not the other way around.

The new economy of work and social security should above all be guided by the values of dignity and respect. This will not only mean treating workers appropriately and with full rights at work, but also designing the whole infrastructure of unemployment and support around the same values. In an economy with an uncertain future, and with much part-time and precarious employment, social security needs to be more generous and more universal. Instead of propagating an

environment of purgatory for its recipients, the social welfare system should allow for a dignified life outside of work as well as the support – for those who desire it – to enter the world of employment.

Developing policy options

New working practices and a new economy of free time require changes in policy, in law, in public infrastructure and in basic practices. With many people in part-time or precarious work, as well as many drifting in and out of unemployment, a new welfare settlement and reform to labour law are needed to suit these conditions. Waged work is so central that it affects and is affected by all factors of our economy and society one way or another. Policies in this area must therefore always function in conjunction with other areas of legislation and infrastructure – making it almost impossible to distil a definitive list. Below is an initial set of policies that can determine the general direction of travel.

1. Shorten the full-time working week

Research has shown that non-work time is essential to our basic wellbeing²³ and that regular time off is crucial for sustained recovery periods from the physical and mental stresses of working life.^{24 25} Reducing burnout and high fatigue levels also benefits a worker's productivity (primarily by decreasing absenteeism) and would reduce the high amounts that poor mental health costs the public purse in terms of reduced income tax revenue and the increased spending on the NHS.²⁶ Estimates suggest that work-related stress, anxiety and depression account for 37 percent of all work-related ill health cases and 45 percent of all working days lost due to poor health.²⁷ A number of studies have also strongly suggested that longer working hours correlate with a greater carbon footprint, not only due to enterprises using energy for longer periods but also due to the carbon-intensive activities that working life promotes (e.g. buying ready meals, driving to work each day, etc.).^{28 29}

There are various policy means by which a shorter working week can be achieved. Some policies can simply facilitate more choice for workers as to the preferable balance between working time and income; others would legislate a national reduction to be achieved over time. In general, however, the more universal the reach of a policy, the more progressive and socially valuable it is. In this sense, policies around work and employment must achieve tangible results for the majority of the population and not just the affluent few. Given the incredibly unequal context of the UK economy, such a universal approach will necessarily appear radical. In fact, it is arguably the only practical response available.

Voluntary reductions of working time (and income) are to be made possible for all. It should be mandatory that all contracts come with the possibility of a reduction of hours if the *worker* so chooses, with a period of notice before it takes effect and a specific period afterwards wherein the worker can opt to go back up to full hours if they wish (as is the case with IG Metal's recent settlement³⁰). As a first step, this policy could be rolled out for companies over a certain size. Allowing workers who can afford the pay cut to reduce their hours will open up more work for others who need it, entailing an effective redistribution from the overworked to those with not enough of it. Finally, wage raises and bonuses should be able to be claimed in terms of time as

well as cash. Using your raise to reduce your working week effectively increases your previous hourly rate and expands your free time.

2. Full commodification of labour

Full labour rights should be extended to members of the precariat,³¹ but we should go further and rearticulate what falls under the general definition of remunerated work as well. The average worker now spends a total of twenty-seven working days a year commuting to and from work.³² The number of workers facing very long commutes of over two hours has gone up by 34% over the last ten years, with over three million workers facing journeys of this length. This travel time is a grey area between free time and work time: as such, employers should meet workers halfway in paying this cost. There is precedent for this: in Brazil, according to the '*Consolidação das Leis do Trabalho*', or *CLT*, legislation, employers must cover the costs for employees' transport to and from work if these costs exceed six percent of their gross salary.^{33 34} Closer to home, the EU already has a ruling that travel time 'constitutes work' for workers 'without fixed or habitual places of work'.³⁵ This principle should be extended to all workplaces: commuting is to be understood as both a burden born by workers and as a business expense for firms in order to bring their paid-for workers to the workplace. Initially this policy could be rolled out only for long commutes: travel time can be claimed back by workers at their hourly rate if they commute for two hours of the day or more. Different firms will have different methods, but a receipts-based system would be simple and the travel claims would be separate from the workers' taxable pay. Having this extra cash would mean that workers could, if their contracts were flexible enough (see above), reduce their hours in the office without reducing their overall income.

Similarly, all overtime should always be paid at a substantially higher rate and tougher penalties should be in force for companies that neglect to do this. UK workers gave their employers £33.6 billion of free labour in 2016 by doing unpaid overtime.³⁶ Clamping down on this practice – so that it becomes a rare exception rather than the norm – will force firms to hire new workers to carry out this excess labour within normal office hours and will make sure that an appropriate balance between labour time and free time is maintained for workers.

3. Expand worker democracy and union coverage

There is no question that unions have to be involved in the process of change if we are to have an ecologically and ethically sustainable economy. A comparative history of working time between Europe and the United States is revealing in this respect. In the early 1970s, the hours worked in Europe and the US were almost identical, but in 2005 Europeans worked on average 50 per cent less compared to their American counterparts.³⁷ Researchers found that the reasons for this discrepancy was likely due to the comparative restrictiveness of labour regulations and union policies.³⁸ Specifically, their findings show how, unlike in the U.S., union directives in Europe have regularly centred on demands that fought for reduced working hours for their members. This goal should be reignited across the board in the UK.

Unlike many parts of Europe such as Germany, Sweden and Denmark, the UK currently has an enterprise-based collective bargaining structure rather than a sectoral system.³⁹ There is research to suggest that the broader, sectoral model achieves greater equality overall due to its greater reach of coverage. In 2014, a report by the OECD stated: "There is consistent evidence...that overall

earnings dispersion is lower where union membership is higher and collective bargaining more encompassing and/or more centralised/co-ordinated'.⁴⁰ We should adopt sectoral collective bargaining structures to maximise coverage and give workers a more potent voice in economic decision making.

4. A new social security settlement: basic income and services

The Scottish government has placed dignity at the heart of its initial drive to reform social security, and the UK government should do the same.⁴¹ Means-testing and conditionality should be largely replaced by a *guaranteed* possibility of a basic standard of living outside of waged work (without fear of coercion or shame). In an age of job market uncertainty, of increased self-employment and of labour precarity, a new social security net is called for. This would include a basic income and updated basic services.

An unconditional, regular cash payment to individuals (a basic income, or UBI) can be a progressive policy both as a solution to current welfare problems and as a cornerstone of a more enabling social settlement.^{42 43 44} Being unconditional, the policy would do away with the punitive conditionality that exists currently and will avoid the poverty trap that catches people out when they take on low-income work today. Being universal, it helps eliminate the stigma associated with those receiving state support, as well as the division between the 'deserving' and 'undeserving' poor. Being individual, it benefits those in abusive, controlling relationships (by providing them with an independent income irrespective of situation or status). Finally, being guaranteed, it gives added security to all and gives workers the confidence to demand better working conditions and pay. A basic income means that people's access to survival and relative autonomy is not dependent on their ability or willingness to work, effectively blunting the worst effects of the labour market.

How high would the level of basic income need to be in order to achieve aims of equality and the reduction of poverty? While it is true that higher levels of basic income would yield greater individual and social benefits, schemes that involve pay-outs of 'full' basic incomes (e.g. £1000 per month) are beyond what is feasible in the initial phases of a new economy. A commonly cited study has shown that a UBI on 'starter rates' of £60 per week for 24 – 64 year olds, £50 per week for young adults and £40 per week per child and those over 65, would significantly reduce poverty and inequality.⁴⁵ In a more recent report, the authors calculate that the cost of this 'modest' UBI, factoring in savings from the withdrawal of some existing benefit payments and tax allowances (rendered unnecessary), would be around a manageable £60bn per year (roughly 3% of GDP).⁴⁶ If we wanted to double that security, bringing the level of pay-outs to £120 p/w per adult, the total cost would therefore be £120bn per year (6% of GDP). Reaching this higher figure could be a target over a five to ten year period, acting as one useful measuring stick for progress used in government communications. Ultimately, it must be kept in mind that while a basic income will replace some benefits (e.g. JSA), it is best understood as a supplement to the welfare state and not a substitute; for example, those with disabilities in particular would still require specific considerations and conditions (far beyond the coercive measures of Personal Independence Payments).

The costs of basic income must be put into the context of how much poverty itself costs the public purse already. The Joseph Roundtree Foundation estimates that the direct and indirect costs of poverty amount to £78bn per year.⁴⁷ That means that about £1 in every £5 of public money is

spent repairing the damage poverty inflicts on people's lives. A basic income would, if successful, go a long way in reducing these costs, directly and indirectly. The 'Mincome' experiment in Canada (1975-78), where every member of the town of Dauphin was guaranteed a minimum income, is informative here. Researchers gauged the impact this economic policy had on the population's health by looking at the amount of visits to a hospital over the test period. They found that hospital visits declined by a massive 8.5%, while the minimum income was in place, showing that significant savings to healthcare systems are possible once people's livelihoods are assured above the poverty line.⁴⁸

A basic income can be complemented by a range of free services (often referred to as Universal Basic Services, or UBS)⁴⁹, including legal aid, housing, internet, food, education, healthcare and local transport, delivering a 'social wage' by freeing up portions of people's income for other uses⁵⁰. Such services can be seen as the logical next step in the welfare state's development of decommodification. Extra funds for the new social security system can be raised not only by creating a more progressive tax system⁵¹, but also by creating a 'Social Wealth Fund' as a long-term investment in the UK's future.^{52 53} The idea is to utilise a combination of rents on natural resources, new forms of taxation as well as tweaks to existing tax schemes in order to provide regular revenue streams into the pot. This accrued capital is strictly ringfenced from the Treasury and is used to further invest in profitable assets in order to grow the fund annually. Once at a certain size (and growing) the fund could be used to help fund specific public services, an ever-growing basic income and/or social housing projects. Similar structures already exist, such as the popular and sizeable sovereign wealth funds in Norway, Alaska and other parts of the world and it would be sensible if we too invested in the future in this manner.

With an unconditional social security net in place, an updated Jobcentre would no longer pressure people into taking whatever job is available with threats of sanctions. The lure of earning more through employment is enough to make people search for jobs, they do not need to be forced to take whatever vacancy is available. This lack of coercion could have the beneficial knock-on effect of forcing employers to make vacancies more appealing in order to attract applicants. Training and skills workshops, as well as the advertising of job opportunities would remain in place at Jobcentres, but the use of these functions would be optional and not imposed upon people. With a decent, and growing, basic income for all and decent, decommodified basic services, the dependency upon coerced job-seeking for a livelihood would become unnecessary, allowing Jobcentre staff to put their energies to more productive and positive uses such as providing skills workshops or forging links with good employers in the area. Needless to say, these changes to the Jobcentre would require the rolling back of much of the Welfare Reform Act (2012).

5. Democratically-managed automation

A high-tech economy with a shorter full-time working week for all is a real possibility in the coming decades – but it will require a combination of considered governmental and organisational initiative, coupled with the correct values, to achieve it. This will require a broader adoption of labour-saving technologies, beyond minority, so-called 'frontier firms'.^{54 55} A basic premise of the new economy should be that the more equal distribution of the benefits of increased productivity includes time as well as income.

Setting up a Ministry of Labour (MoL) with a specific ‘working time’ team would embed the initiative into the architecture of government itself.⁵⁶ The Ministry would be in charge of overseeing shorter working week policy (amongst other labour issues). Medium-term, it would manage the project of achieving a UK four-day full-time working week (without a loss of pay) within a given period, e.g. five to seven years. Building on the European Working Time Directive, the Ministry could manage a new ‘UK Working Time Directive’ that would decrease annually. The MoL would regularly draw on relevant expertise concerning the technological, financial and legal instruments that can be leveraged to facilitate this aim.

Following in the footsteps of the short-lived ‘Ministry of Technology’ (1964-1970), a public organisation should be established, the board of which will be made up of trade unions, elected public representatives, the Ministry for Labour and business leaders (other authors have proposed establishing a similar body called ‘Productivity UK’⁵⁷). The organisation would aim to increase productivity in sectors that have seen low-investment in technology and tie these gains to a tangible reduction in working hours for workers without a loss in pay. This would mean subsidising investment in robotics and labour-saving technologies, an area in which the UK is lagging behind the rest of the world.⁵⁸ This would concretely link the prosperity resulting from an enterprise’s growth with the individual prosperity of its employees. There would be branches for each employment sector and each would have specific expertise regarding the nature of the jobs in question and the labour-saving technologies coming onto the market. Trade union Sectoral Employment Commissions (SECs) would be set up in conjunction with these branches so that agreements around the distribution of the benefits of automation can be sector-specific and according to local needs as far as possible.

To maintain strong collaborations between government, trade unions, non-unionised workers and businesses, quarterly or biannual conferences on the topic of working time reduction and industry-worker partnerships could be established. It would be a chance for trade unions to provide feedback to workers on the ongoing collaborations facilitated by the MoL and with regards to the increasing reduction of necessary labour time (and therefore regarding if and how new technology is or is not translating into shorter working hours).

Tensions and debates

A false dichotomy in policy and activist discussions has been erected between basic services and basic income policy proposals. Despite typical framings, it should be noted that on the one hand many, if not most, basic income advocates *also* believe that public services need to be updated and expanded, and on the other, that the authors of the original UBS proposal advocate a partial basic income alongside the seven basic services. The two are not opposed in principle, and their vastly different costs also means it’s not an either/or choice financially.

There are key questions being asked of each however. UBS is an uncontroversial, progressive policy but it requires more thought around implementation. As others have pointed out, the original basic services proposal concedes that housing and food are actually conditional upon whoever needs them.^{59 60 61} Not only does this drastically limit the universality (and potential popularity) of the proposal, it also would do little to reduce the social stigmatisation that currently comes with some of these conditional services. For example, beyond merely adding to existing programmes such as free school meals and meals on wheels, there has not been much thought as

to the practical deployment of ‘universal’ food. We could imagine a coordinated system of food banks, for example, but this would not solve the problem of stigmatisation.⁶² We should also ask the simple question: is a ‘social wage’ – delivered as services – as effective as an *actual* wage for drastically reducing poverty and increasing freedom? Having free services available in your locality is quite a different sort of capacity to having cash in your pocket with which you can make your own decisions. Again, the question is *not* either UBI *or* UBS, nor should we advocate marketised services; it is simply an acknowledgement that freedom within any market economy requires (but is not exhausted by) the ability to determine the use of one’s own resources.

A common objection to basic income is that it could dismantle what remains of welfare provisions, including the NHS. Indeed, a model that would simply replace all or most of our public services would be in line with a dogmatic, market-orientated ideology that sees the citizen as consumer and all services as commodities. The question ‘what kind of basic income?’ must therefore be posed at every stage of implementation: if the policy no longer benefits the most vulnerable in society, if it is used as a justification for further cuts to public services, if it does not reduce poverty, and if it does not bolster those in work, then it needs to be rethought. To avoid such undesirable outcomes, a basic income would need to be carefully coupled with things such as rent controls and other measures that anticipate possible hikes in consumption costs.

Regarding automation, questions will be posed (and will need to be answered) around the environmental impact of large-scale investment and deployment of labour-saving technologies. In short: if the infrastructure, algorithms, hardware and robotics utilised in an automated economy exacerbate our carbon footprint, then the project is a non-starter. This situation is likely avoidable, but parameters and targets need to be in place before these initiatives begin.

From here to there: strategy and implementation

Some of the above policies (and others) could be actioned relatively quickly and with very few obstacles (notwithstanding the expected, knee-jerk protests from some businesses). For example: adopting sectoral collective bargaining structures, raising the minimum wage in line with an actual Living Wage and creating a social wealth fund would all be possible early on in a new economic regime. Other initiatives could act as part of a longer process of transition, with specific pathways built in, in order to reap long-term change that sets the agenda for future governments.

A shorter working week should be designed and trialled. For example, using the public sector as an innovator in adopting a shorter working week without a reduction of pay would set a benchmark for future legislation. Following past policy examples where the public sector has acted as the primary adopter of better working conditions, such as equal pay and job security, such a benchmark can be used to benefit workers in the private sector later down the line. A controlled shorter working week trial (where these improvements can be perceived and analysed most accurately) should be designed to improve wellbeing and reduce sick days in workplaces where staff health has been under particular strain such as the NHS.⁶³ Such a trial can act as positive examples for the other areas of the economy to follow.

On Day One of government, it should be announced that social security is no longer going to be about stigmatisation and blame, but instead will be based on the recognition that insecurity, vulnerability and interdependence are universal conditions that we will all face at some point. All

workfare practices and financial incentives for benefit sanctions are to be withdrawn with immediate effect. Any work carried out for an employer (previously part of workfare schemes) should be paid at the usual rate for the job role and it goes without saying that pay should never dip below the minimum wage. Taking a strong stance towards radical change in social security could be a positive step on the road to regaining the confidence of those who use the welfare system who have been bearing the brunt of austerity for the last decade.

Running a basic income trial involving different control groups, having learnt from the various, similar experiments that have already happened worldwide, would also be worthwhile.^{64 65} There are limitations to extrapolating conclusions from these small-scale or partial experiments, so we need to run our own to see how such a policy would play out in the UK economy. The trials should be set at the modest rate outlined above, or higher. While the shaming of so-called ‘scrounger’ culture has shifted public attitudes towards benefits over the past few decades⁶⁶, a recent poll found that 40% of the public would welcome basic income experiments in their local area, with only 17% opposed.⁶⁷

Businesses (particularly those with the most exploitative work practices) would most likely be wary of the above approach to working culture, as many of the above policies bolster social and worker power outside of the wage relationship, i.e. outside of employers’ control. But there are good reasons why businesses should support radical reform here. Firstly, a four day week (at five day’s pay) has been tested in a number of enterprises recently with widely reported success in terms of staff wellbeing and performance.⁶⁸ Such a policy could help retain staff and attract applicants, particularly in stressful employment sectors. As noted above, fatigue levels and mental health are essential so as to avoid burn out and regular sick absences – a concern vital to businesses who wish to have a high-functioning enterprise. Furthermore, when coupled with a government initiative to technologically update firms of all sizes, the shorter working week without a loss in pay or performance will be even more achievable.

Let’s also respond to these concerns by acknowledging that improved public services benefit businesses in an indirect way. Simply by providing more efficient transport services, better healthcare and communications services for workers, the public purse would maintain a smoothly running economic environment within which employers would thrive. Second, by providing a guaranteed income, the state automatically increases the population’s buying power (thereby acting as an economic multiplier), increasing the capacity for consumption. Thus, we can expect certain economic knock-on effects for industries such as hospitality, entertainment, and so on.

There are also conversations that need to be had amongst trade unions. Giving unions more power and coverage is necessary but not sufficient; a refined ideology and purpose is also needed. From the perspective of the new economy of free time and sustainable working arrangements, unions should not simply aim for the creation of any and all jobs, but should campaign along two suggested trajectories. First, they should continue their campaigns for the creation and maintenance of good work for their members, but now with updated criteria that includes environmental sustainability (on top of the typical demands around, e.g., wages, job and employment security, wellbeing, democracy, etc.). Needless to say, the project of environmental sustainability will continue to come up against union demands for job creation/retention in non-sustainable enterprises (e.g. the fracking industry or airport expansions) – in the same way that the move towards nuclear disarmament jars with the defence of Trident-related jobs. The argument

needs to be won that job creation must make ecological sense. Such a direction would necessitate complementary state investment in new sectors, such as green energy, in order to facilitate a shift away from carbon-intensive industries, and/or a bolstered care industry, in light of an ageing population.

Secondly, with their renewed strength and coverage unions could and should once again take up the historic aim of the reduction of working time within their industries. The Communications Workers Union have been doing precisely this in recent years⁶⁹, as has the IG Metal union in Germany⁷⁰, with significant achievements. Even more recently, the TUC has published its own report, arguing that productivity benefits from automation should trickle down to workers in the form of shorter weeks and higher pay.⁷¹ With sectoral bargaining in place, sector-wide campaigns on working time will have real strength and could yield tangible benefits for all, helping to underline the power and importance of unions even for non-members.

Next steps

Work is a universal in our society – it affects you if you ‘have’ a job or not. Therefore, it should not be difficult to imbue social movements with *an* angle on the future of work per se. The key is to ensure that this angle is a unified and progressive one, beyond the usual and insufficient ‘more jobs’ mantra. Conferences and workshops on working time and ‘good work’ should be held at regional and local levels involving political parties, union representatives, community and activist groups. These conferences could be supplemented with extensive polls with nuanced questions that can tease out the nuances of the pleasures and pains of working life. These public encounters will put the prospect of a reduced working week onto the map, and allow for democratic engagement around the future of work – preparing the ground for the policies and trials a new economic regime would deploy when in government.

The next welfare system will only avoid the pitfalls of the current one if it listens to those who use it and know it inside and out. Consultations are to be set up with welfare recipients, DWP workers, activist groups and welfare researchers from across the country in order to secure a broad consensus on the first things that need to change when in government, as well as begin to sketch a direction of travel for the achievement of more radical reforms further down the line. The key here will be for participants to think not only about merely rolling back the regressive legislation of the austerity period, but to also think about what a positive social security system would look like.

Finally, we must pool knowledge in this area from all fields and countries. We need to collaborate with organisations and political parties that have carried out their own research, proposed their own innovative policies and ran their own campaigns around the future of work. There is no use starting from scratch in our national silo when there are other many other people thinking through the same problems. An international network including economists, social movement leaders, those in leadership positions within parties and unions, relevant researchers and research centres should be informally established to build on each other’s gains and setbacks.

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Endnotes

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4

Building a Wellbeing Economy

by Katherine Trebeck¹

The desk at which this is being written is located in the heart of an economics department, surrounded by academics who are routinely called onto radio stations and TV channels to assess the impact of a particular policy on Gross Domestic Product (GDP). The prevalence of the focus on GDP – compared to the impact a policy might have on poverty (or inequality or decent jobs or carbon emissions) – illustrates how the GDP prism overrides so many other concerns. GDP is the yardstick by which political decisions are scrutinised and the league table by which countries compare themselves.

Its dominance as the prevailing measure of progress goes against decades of evidence that shows that GDP includes lots of things that most people would deem problematic, plus countless examples of how GDP entirely ignores aspects of life that most people would deem important.

GDP counts money changing hands via spending in the formal, marketised economy (such as consumers and governments). As Jorgen Norgaard explains: “much of the growth in GDP over the last years can be ascribed to pulling activities like child care, health care, cooking, entertainment, maintaining houses...from the non-paid amateur economy into the professional economy”.² It assumes more is always better – regardless of whether people already have enough, let alone reflecting on the rather vital question of more of what?³

The OECD admits that:

“if ever there was a controversial icon of the statistics world, GDP is it. It measures income, but not equality, it measures growth, but not destruction, and it ignores values like social cohesion and the environment. Yet governments, businesses and probably most people swear by it.”⁴

GDP's hold over policy making both reflects and reinforces an economic system that has lost sight of the larger goal of sustainable wellbeing. Can we legitimately claim that economic growth is still delivering better lives in GDP-rich countries when living standards are stagnating, when so many of the gains of growth are captured by those who already have so much, and when our planet is telling us day after day that she is struggling to cope with pressures (the richest of) humanity keep piling on?

The economy of today serves the few at great costs to communities and through collateral damage to the environment. Even if growth as usually understood brought with it some benefits (and clearly institutions and distribution were key to this, not just growth *per se*), it is running out of puff. Most economists would recognise the phenomenon of ‘diminishing marginal returns’ – essentially getting less bang for your buck. This is the terrain the rich world is now in – fewer and fewer benefits of more and more GDP growth, while the damage being done from pushing for more and more becomes ever more apparent.⁵ It is running the planet into the ground and running people into exhaustion.

These ‘externalities’, to use economics jargon, of the growth orientated economic model are becoming more and more acute.⁶ Admittedly, some efforts are put into cleaning up those externalities and healing the harm they cause. But those efforts are so often inadequate and patchy. The best we can hope for, it seems, is to use the bounty of growth to ameliorate the damage done in its creation.

In the depressingly circular demand for spending caused by failure to prevent harm in the first place, growth is required in order to pay for fixing the harm done in the creation of the growth. From the government spending money topping up the incomes of those whose wages are insufficient for a decent livelihood, to the money spent cleaning up after oil spills; or cyclists buying face masks so they can breathe when riding on polluted streets, examples are not hard to find. Many of these costs of growth (and avoidable demands on various levels of government) count as an addition to the ledger of national ‘success’ – GDP. It is reactionary spending to address problems created in pursuit of more growth. The economist J.K Galbraith put it rather succinctly when he wrote: “One cannot defend production as satisfying wants if that production creates the wants”.⁷

So maybe it is time to start focusing on what humanity really needs – rather than hurtling towards a hotter, more alienating, more insecure, more unequal future? The UK and other rich economies could do a lot worse than heed Donella Meadows’ call to ask “growth of what, and why, and for whom, and who pays the cost, and how long can it last, and what’s the cost to the planet, and how much is enough?”.⁸

Just as a baker knows when to stop baking a cake, is it time to move on from a 20th century economic model that may have delivered for some people in some respects, but now brings costs that outweigh the benefits? In the face of both the challenges and opportunities of the 21st century, the dominant economic model is surely – and sorely – in need of a reboot.

Collective wellbeing: a (much!) better purpose

The vision for what an economy needs to deliver is not far away. You hear it if you take the time to listen to what people identify as most important in their lives. You read it in certain texts of the world’s religions and development scholarship. You see it if you look at brain scans or reflect on the findings of psychologists and epidemiologists about human stress and flourishing. But, too often this picture of what people need to live good lives is hidden by old-fashioned assumptions, hampered by a system designed not for meeting human needs, but for perpetual growth.

Peeling back those barriers and blind spots allows us to see what really matters – and the dimensions of that vision emerging from diverse quarters are remarkably compatible. They can be described by the term ‘wellbeing economy’⁹ – an economy in service of human and ecological wellbeing. This is regenerative, collaborative and purposeful. Building an economy in service of wellbeing starts with the recognition that real wellbeing depends on creating a world where we all can prosper and flourish. In a wellbeing economy nobody is left behind. It is about meeting the needs of all, rather than the wants of a few. A wellbeing economy also recognizes that the economy is embedded in society and the rest of nature as an integrated, interdependent system. The economy is a means to an end, not an end in itself. It is an economy which regenerates nature, an economy where collaboration trumps competition, an economy where activities and what organisations do is purposeful, not simply just to make money. In which individuals’ desire to be

acknowledged for meaningful contributions with a decent living is not dominated by a motivation of acquiring wealth. And which is financed by a stable, fair and socially useful financial system that serves the real economy for the long term. A wellbeing economy is thus one that puts human flourishing at its core, which respects and seeks to regenerate nature and the planet.

A wellbeing economy is designed consciously and thoughtfully – for a purpose. It is regenerative rather than extractive. It will not harm people and the environment, and thus avoids having to deliver expensive down-stream intervention to fix the damage caused by the current economic model. A wellbeing economy is about more than tweaking and fixing the harm caused by the current model. It is more than redistributing and healing the damage done. The virtuous circles that can be instigated by such an economy are diverse. For example, more egalitarian societies are better for all their members: delivering better health and higher life expectancy; fewer drug addictions; less violence; lower teenage pregnancies; higher wellbeing for children; lower obesity; less mental illness; and fewer people in prison.¹⁰ In preventing economic extremes, a wellbeing economy reduces the need for costly state amelioration services, highly paid ‘downstream professionals’, and the politically fraught and often inadequate process of redistribution after the fact. So making ourselves at home is about initiating virtuous cycles in which interventions are investments that ultimately, if not immediately, pay for themselves. As such, the economy won’t need so much growth because the state and society won’t be constantly cleaning up after themselves or trying to put individual lives, communities and the planet back together.

A wellbeing economy can be visualised as a ‘doughnut’ – Kate Raworth’s compelling illustration of a new purpose for the economy that operates below Planetary Boundaries, but above a social foundation.¹¹ In this space – shaped like a doughnut, it is safe (in environmental terms) and just (in social, economic and political terms).

Policy pillars for a wellbeing economy

There are common threads running through the array of ideas to create a wellbeing economy, that not only prevents harm, but also regenerates the planet and enables people to flourish. It is thus possible to point to some shared foundations and certain core elements that serve to unite various contributions the players in the wellbeing economy movement make, even though the emphasis they might take or the policies they push for are diverse.

What marks them out as speaking to the creation of a wellbeing economy is that they act as stepping stones to systemic, upstream transformation. Many will be conducive to other changes – few operate to their greatest extent in isolation. And while they are not silver bullets, they do stretch beyond merely poking and tweaking the current scenario and instead focus on what systems thinkers would identify as ‘higher leverage points’¹² – where resulting change be wide spread and long lasting.

1. Hacking the DNA of the economy

Repurposing the economy requires a new way of measuring the economy’s performance, away from the consumption-orientated and distribution-blind GDP and towards a target that aligns economic success with the delivery of societal and ecological wellbeing. Just as it is our DNA that determines the colour of our eyes or (the natural!) colour of our hair, the purpose of an economy, whether it is GDP or something else, determines the outcomes of the economy, governs the steps to get there, and alters the type of trade-offs that are made.

Despite wide swathes of evidence about its inadequacy (from feminist economist to technology companies, from ecological economists to anyone who understands the notion of perverse incentives), GDP still rules supreme, taunting political players and media reporters with her siren call. There has been great progress in the ‘beyond GDP agenda’: commissions have reported. International agencies have measured. Alternative indices have been created (some better than others and, perhaps as is fitting for a complex world, no stand-out winner has – yet – emerged). Better data has been assessed and compared to GDP. Communities have been consulted. Reports have been written and speeches have been given (political leaders from both sides of the political spectrum even quote Robert Kennedy’s famous 1968 speech critiquing GDP).

But, in a disproportionately timid response to this flurry of activity, only small steps have been taken to robustly inculcate more holistic measures of progress into policy making. Scotland has been re-working its National Performance Framework (NPF), on the basis of public consultation, to include goals such as wellbeing, kindness, inclusivity, and equality. But economic growth still clings onto its prime position, and the way in which the NPF will tangibly shape policy decisions is yet to be seen. In Wales there seems to be a bit more concerted work connecting an appreciation of societal wellbeing with policy outcomes. The Wellbeing of Future Generations Act and the Commissioner for Future Generations bodes well and shows that other governments in the UK how to put their wellbeing rhetoric into action.

2. Beyond redistribution as sticking plaster

This rhetoric is certainly there. Not only around the concept of wellbeing (whether understood holistically as in Wales and Scotland, or the more individualised focus on subjective wellbeing heard in conversations around Westminster), but also in terms of the attention to tackling inequality, reducing environmental harm, and meeting the UN Sustainable Development Goals. Yet while growth is still envisaged as the only option these concerns – assuming that they are genuine – translate into political language used to paint GDP growth with a rosier hue: ‘inclusive growth’, ‘green growth’, ‘sustainable growth’, ‘low carbon growth’, and so on.

This limits the policy options on the table. The best we are allowed to hope for – let alone agitate and fight for – is disconnected, last minute, downstream interventions that seek to cure and heal. This is an inefficient approach to delivering good lives sustainably and one that demands more resources, more effort, more political agreement, and more patience than is really needed. It entails three protracted and often fraught steps: firstly, get the economy to grow bigger, but don’t fret too much about the damage to people or the environment that this does. Secondly, sequester a chunk out of this economy via taxes. This is a strategy which is vulnerable to fleeting and flippant political will since it depends on the consent of those being taxed, a consent which is often undermined by the current levels of inequality separating communities from each other and undermining solidarity across society. Thirdly, channel some of this money to helping people and the planet cope with step number 1 (vital, of course, in the short term, but almost always limited to repair and redress).

A wellbeing economy simply wouldn’t require so much of this fixing, healing, and cleaning up. People would have the assurance of being safe and healthy in their communities. Jobs would deliver meaning and purpose and provide people with sufficient means for a decent livelihood. The economy would do more of the heavy lifting in terms of delivering more equal outcomes, from round one. Ensuring the economy plays this more distributive role requires that economic

decisions are distributed more broadly and the ownership of economic assets (including technologies) is shared more widely.

Such an economy is one that has a higher proportion of firms designed with the purpose of sharing resources with more people than simply remote shareholders. Public policy has within easy reach the levers needed to realise such a shift in the composition of the economy. These include procurement choices, business rates, local planning and licensing, tax incentives, advice services, legal support, reporting requirements, subsidies, and promotion efforts undertaken by government.¹³ If all of these were tilted towards business models that distribute rather than extract, the UK economy would serve to generate higher levels of equality than is currently the case. Just two examples illustrate how small changes can have significant impact: Cooperative Development Scotland (a government agency) has made it its business to help family businesses plan their succession in a way that transfers ownership to workers, providing advice and guidance as to how to go about this transition. Communities taking ownership of key assets (from community-owned pubs¹⁴ to community owned harbours¹⁵) are another illustration of alternatives to an extractive economic model.

3. Aligning incentives

In a sense, economic actors are often predictable – they tend to respond to the path laid out for them and the prods pushing from behind. In other words, incentives matter. Together, such paths and prods constitute an operating terrain in which many business and personal spending decisions are often made. When incentives are misaligned with a wellbeing economy, then so too the outcomes of business's calculations and people's decisions will be misaligned with an economy that serves people and planet. Of course, there is more to decision making than this – much more. For example, it is a tangled suite of emotion, heuristics, framing, time horizons, and so on. But incentives of all sorts are a significant part of this mix.

Incentives are many and range from the regulations, credit provision, taxes and subsidies that firms are presented with to the prices, promotion prospects, and remuneration potential that individuals navigate. They also encompass the governance structures of businesses – how they are designed and for what purpose.

Currently, almost all incentives drive choices that run counter to what people and planet really need. For example, prices do not reflect true environmental or social costs. Subsidies are given to fossil fuel companies while being taken away from renewable energy enterprises. Professions that most directly meet social needs are the most poorly paid. And taxes are high on work and low on wealth. And so on and so on.

One step that would help hasten the transition to a wellbeing economy would be to more proactively propagate the nascent 'fourth sector'.¹⁶ To do this would mean incentivising the business models that have social and environmental aims as their overriding purpose and hence make decisions accordingly. Who they source from will be different. How they account for their impact will be different. Which staff behaviours and actions are rewarded will be different. There is a flurry of activity that gives cause for optimism that such business models are possible: B Corps, social enterprises, community interest companies, firms using the Economy for the Common Good balance sheet¹⁷, and so on. But these chinks of light are the exception – too many other firms do not have wellbeing economy concerns at their heart. Again the policy changes to shift

incentives are within easy reach and can be brought in at all levels of government. Fortunately, the policies to encourage pro-social businesses are more positive, more about encouraging one type of behaviour rather than punishing another. They are also the same sort of policies need to go beyond redistribution as sticking plaster.

Another step is to get prices right. This requires recalibrating measurement, accounting processes, responsibility for value chains, and much more. From one perspective this seems a complex, herculean task. But it doesn't need to be perfect – it just needs to be sufficient to shift incentives. Levies on plastic bags are an example – no one suggests that five pence constitutes the sum total of the deleterious environmental impact of plastic on our oceans and wildlife. It has, however, been enough to spur a step change in behaviour. More levies like the plastic bag charge – especially those that target businesses and manufacturers rather than placing all the onus on consumers to change their behaviours – would start to reshape the operating terrain in which economic decisions are taken (just think of a frequent flier tax for a sense of how this might work¹⁸). Getting the prices right enough, if not perfect, is a good way to incentivise actions that create a wellbeing economy.

4. Regenerative behaviours

Too much of the way things are made and consumed involves using natural resources in a destructive, wasteful, extractive way. From the planned obsolescence that compels people to replace an item earlier than is really necessary, to the signals that bombard people to align their sense of self-worth with how much they own, to the linear production system which simply takes from the earth, makes something, uses it and then throws it on the scrapheap. The evidence that this cannot carry on is mounting faster than alternative approaches and processes can be developed. Yet, many alternatives are there – they just need the policy system to sidle up and give them a better boost than is currently the case.

Lessons for practices that go beyond respecting planetary boundaries (zero harm), but proactively regenerate the ecosystem are emerging. The momentum behind circular economy design and manufacturing is an exciting cause for optimism. Businesses adopting circular economy practice don't even need to be wedded to the desirability of the collective benefits of a wellbeing economy: they just need to be capable of reading the reality of resource constraints. One famous estimate says that there is more gold in a tonne of mobile phones than in a tonne of ore.¹⁹ This may or may not be the case, but resource limits in a range of commodities mean it makes sense even for businesses operating with 20th century measures of success (even for those whose purpose is simply short term profit) to look at extracting minerals from piles of waste equipment, or to harvest the sun for energy rather than mining the earth, and generally embrace the idea of cradle to cradle product design. But beyond this, many creative designers are using lessons from nature to solve environmental challenges and are crafting production processes that turn what was once seen as waste into useful and beautiful items that help meet human needs. Even in just one sector, fashion, examples abound: a company called MG Surfline takes plastic soiling the ocean and makes it into swimwear; a company called OSOMTEX repurposes millions of pounds of discarded post-consumer and post-industrial textile waste directly into high quality yarns and fabrics; and a company called PINATEX creates leather-like material made from pineapple skins. Encouraging similar initiatives is going to require not only communicating the examples of the likes of OSOMTEX and PINATEX and using government incentives and support to encourage such enterprises and behaviours, but also efforts to ensure use of natural resources (including use via

dumping of waste into the rivers, oceans and skies) is priced in way that reflects the real costs on governments, on communities, and on future generations.

5. Deliberative

Finally, all these shifts need to be led by a vision that is derived from communities. Too many outcomes of the political and economic system are misaligned with what people and planet most need. This is a dire indictment on the current operation of political systems. Even countries where democracy, in a formal sense at least, is deemed to be strong, are often confined to relatively thin manifestations of democracy. Citizens feel that they have little influence on the decisions that impact them, feeding a sense of alienation and lack of control. This matters for the economy because until the economy is configured in a way that meets people's fundamental needs, rather than geared up for short term profit or a daily boost in the share markets, people will grasp for apparent solutions that merely pull things further away from a wellbeing economy. Addressing this is not simply a case of more opinion polls or one-off referenda. It necessitates weaving into the current democratic process many more threads of deliberative democracy. When people are able to discuss and reflect together they come to decisions that speak to the greater good, rather than the decisions they take when they are – literally – isolated by the ballot box, from other groups and from other perspectives.²⁰ The evidence from nascent trends in participatory budgeting and the experience of citizens' juries are proof that taking the time to create spaces where people can talk through issues together is a key plank of a building a wellbeing economy.

Enriching democratic processes with more deliberation is required not just in the realm of political decision making, but also, amongst other things, in how the purpose of the economy itself is determined. Beyond-GDP measures will not constitute a sufficient power shift if they merely replace a problematic measure of progress with one that might be better in its content, but is constructed in a way that is dominated by elites. Put simply, the measure used to determine the very purpose of the economy needs to itself prefigure a change in the balance of power – putting more diverse voices at the forefront. This might be messy and might limit the cut and thrust of international league tables, but it represents a profound rebalancing of whose voices and which interests shape the very purpose of the economy.

Headwinds

The headwinds against such shifts are strong and they are many. Chief among them is the narrow 'conceptual bandwidth' that – despite the best efforts of publications such as this – precludes against a fulsome debate about the operations and ultimate purpose of the economy. Hence the questions that are ostensibly permitted (let alone encouraged) are largely restricted to how to humanise the prevailing system. Discussion about whether the system is working on enough counts, let alone changing that system, is largely shut down with a flippant dismissal that such conversations are 'naïve'.

The allegation of naivety simply furthers the notion that there is no other way of doing the economy, no matter how many people might recognise the necessity of such new ways or how many organisations and businesses are already carving out alternatives, albeit mainly at the niche-level. A recent example was a report commissioned by the governing Scottish National Party to examine the prospects for the Scottish economy in the context of constitutional independence. Regardless of one's views on the question of Scottish independence, the assumption of the report

– entitled *The Growth Commission* – and the discussion that followed its publication was an indictment of the stranglehold that the growth agenda has on policy debates. Not only was the presumption inherent in the report that the future of the Scottish economy had to be one of GDP growth (albeit with the cosy adjective of ‘inclusive’), but in the subsequent debate no one raised an eyebrow in surprise, let alone a hand in question, at this taken for granted objective. All sides of the independence question, and most perspectives on so many other debates it seems, are constrained by the straitjacket of an economic orthodoxy that assumes more is always better.

And to some extent this is reasonable. In the current economic set-up, lack of growth is proving itself rather painful: “jobs, retirement pensions and increased public spending...all presuppose a constant rise in Gross Domestic Product”.²¹ The magnitude of the resulting challenge is vast. As Dr. Ted Trainer explains, in a growth-orientated society “getting rid of growth would require almost a complete remaking of present political, economic, social, geographical and cultural systems”.²² Like it or not, the modern economy is structurally reliant on growth for stability – so when growth falters, politicians panic.²³ In other words, economic institutions must sup the oil (often quite literally) of growth to function, and when it dries up, the thirst is debilitating.

But that reflects more on the institutions themselves than the merits of growth. As Maja Gopel explains, ‘Without a doubt, instant [decline of growth] would diminish the happiness of many. But it is the result of a structural crisis and not of the violation of some natural laws of human existence’.²⁴ It is thus imperative that the transition pathways to a wellbeing economy are paved out with secure stepping stones so that people have little reason to prefer the devil they know and no reason to resist striding towards a more humane and sustainable economy.

Another headwind is that not only is system change challenging, messy, and complex, it is also difficult to measure – and hard to singularly attribute. It therefore faces a political bias against (necessary) shifting of investment towards upstream structural change. Similarly, many funders looking for measurable ‘impact’ are unlikely to find sufficient metrics that tick the boxes and tally up the numbers in their annual reports in efforts to transform the nature of the economic model. And of course, the prevalence in the way in which nations compare themselves to each other and seek out their international allies is essentially via a GDP equivalent of the Champions League – even in global geopolitics, the ostensibly easy to measure matters most.

This reflects yet another headwind: the practices, default responses, the assumed options are themselves narrow. As Robert and Edward Skidelski warn: “the irony is, however, that now that we have at last achieved abundance, the habits bred into us by capitalism have left us incapable of enjoying it properly”.²⁵ Thus, despite the admission that the limitations of the current system have been exposed, “there has been no marked increase in the *actual use* of Beyond GDP indicators ...[and] during periods of low growth there is an almost exclusive obsession with how to increase it again...the economic downturn has immediately compromised the opportunity to build a new model (both logistically and politically) by implying a shortage of resources”.²⁶ Change, it seems, is and of itself a headwind.

Building a head of steam

But change must come. The realities of environmental destruction and the extent of inequalities and alienation are making the current set up less and less tenable. Most political leaders are either putting their fingers in their ears to ignore the sound of plaster and tiles falling from the current

structure or are trying to reassure us that things are ‘better than they have ever been’ and all should carry on as before. That can’t happen. Change is coming whether we like it or not. Change will come whether we make way for it or resist it.

The wellbeing economy is not a government-led vision. It is a broad societal shift that involves every level of society. There need to be changes in technology, institutions and laws, new cultures and social relations, new discourses, business models and mechanisms for sharing wealth, new approaches to the environment and ecosystems. Everyone will have a role in building a wellbeing economy, co-creating a future that emphasises quality over quantity.

Yet policies can enable or constrain that work. Fortunately there are a handful of political actors – in and out of government – who are talking as if they understand the magnitude of the situation and the sort of options and opportunities they can take to create a more humane and sustainable economic system. If they were ever to find themselves close to the despatch box – or whatever signifier their respective governments use to denote official power – they need a programme of action.

Changing an economic system, is, of course, extraordinarily challenging. In a negative sense, powerful vested interests who benefit from the current scenario will resist. Both loudly and surreptitiously. In order to counter this a strong enough counter-weight needs to be developed and so the ball is back in the court of communities and activists. Other vested interests might be in fact be ready – or close to ready – to concede that business as usual cannot carry on. Sometimes this will be an admission that their personal values are misaligned to their ‘day jobs’ or enlightened self-interest that their day jobs need to realign in order to be viable in the future. Making spaces for conversations that draw out these perspectives is vital. Again the ball is in the court of those advocating for system change to create and fill those spaces and build on the conversations that emerge. And we need to persevere because ‘without the belief in a different future, radical political thinking will be excluded from the beginning’.²⁷

On the other hand there will be others, whose livelihoods depend on industries and institutions that are part of the current system, will hang on for dear life precisely because they are relatively powerless in the current system and fear their existences becoming even more precarious during substantial economic change. Policy makers need to concertededly and proactively carve out pathways for them to walk towards a wellbeing economy – ensuring jobs are available and skills imparted for these consistencies. Worker cooperatives, job sharing, minimum incomes, embrace of the foundational economy²⁸, community wealth building²⁹ and so on are all part of a rich programme of initiatives necessary to build these pathways. They are also key elements of a wellbeing economy.

From a different perspective political actors with their sights on building a wellbeing economy need to pay attention to the complex interactions between changes – ripples in one place can become waves elsewhere. Systems thinkers encourage us to see that gradual changes are incremental steps that will eventually add up: ‘radical incrementalism’. They erode the stability of the old system and unlock options for developing a new system. So while no single project will change the system, many small steps over a long period of time just might. Understood and harnessed, this brings the possibility of virtuous circles to be instigated. New mindsets and ways of working are needed inside government to embrace this potential, not least cross-departmental working, long term budgeting, and system-level mapping.

And what might the pronouncements at the despatch box herald in the first hundred days of a wellbeing economy orientated government? Here are initial some suggestions:

- Measure progress more holistically, developing a broader set of metrics and reducing the importance of GDP figures. Distinguish between healthy and unhealthy forms of growth. Recognise the importance of development as meeting people's fundamental human needs, rather than expansion of consumption.
- Put in place standards that increase circularity in the materials economy, through targets for zero waste, or making businesses responsible for end of life disposal.
- Adopt a commons approach to natural resources, particularly the atmosphere. This could be done through individual carbon trading, which would allow individuals with smaller carbon footprints to sell some of their allocation to others. Rates of carbon emissions rise with affluence, so this would help redistribute income. Managing water supplies could also benefit from a commons approach, with varying tariffs that rise with usage: it should be cheap to water a house plant, but relatively expensive to irrigate a golf course.
- Work to redress market failures, where social or environmental costs are externalised. For example, car culture has multiple impacts on the environment, health and society that are not priced in to the cost of motoring. Aviation is similar. Tools include taxation, air pollution targets, efficiency standards, and regulating to make companies responsible.
- Move towards 'predistribution', creating a more inclusive economy and reducing the need for costly redistributive bureaucracy further down the line. Employee ownership, community owned utilities, salary ratios or a maximum wage would all contribute to this and there are a range of other levers government can pull to facilitate their introduction. Use government regulations, procurement, encouragement, and largesse to promote pro-social businesses.
- Ensure that prices reflect human values, including equity, ecological realities, and present and future needs. Sweep away perverse subsidies, such as tax breaks for fossil fuels. Redirect subsidies to support activities which meet the conditions necessary to make ourselves at home, like high environmental quality and decent employment. This might entail: sumptuary or luxury taxes at high enough level to discourage status consumption and encourage sustainable consumption; new wealth and capital gains to ensure that unearned income is not taxed at lower rate than earnings from work; corporate tax relief for those businesses which adopt purpose and practices conducive to collective wellbeing; and taxes on carbon emissions and energy intensive goods and services, for example a frequent flyer levy.

This list is not just list of key things a government would need to do to foster a wellbeing economy. It is also a small selection of changes that are happening somewhere in the world. Hence none of them should be deemed 'radical' in the sense that they are untested or utopian.

Marching on

Clearly, a flurry of changes are needed. Humanity is at a crisis point. Until those who see this and want to be part of the solution get together and make changes to the economy, humanity will not

have a world that it can live in in the next few decades. Evidence of previous system shifts show that systems change when enough people, across all walks of life, team up to demand it; when the story is positive about how we can live a different life; and when it is solidly based on economic theory that not only makes sense, but also reflects what makes us innately human.

Efforts for change are necessary on many levels – the micro level of individual organisations and projects; the middle level of policy and rules; and the macro landscape level which is the terrain (literally and in terms of ideas, science, and knowledge) on which the other levels operate and are influenced. These levels interact – actors in the micro level, for example, can change the policy regime by demonstrating feasibility and desirability of a new course of action: hence policy makers are not stepping into the unknown when creating a conducive policy regime. Similarly, change in the landscape level shifts options and demand for policy changes. And these in turn open up or shut down scope for action at the micro level. Each is thus an enabler of the other and activation of one can spark or accelerate change in other areas.

Working to change the landscape level entails creating spaces to ask big questions, challenging what has come to be seen as normal, bringing new ideas into play, showcasing alternatives, spreading them and eventually normalising the notion of a new economic system.

A new alliance of actors working for the creation of a wellbeing economy has been established to work at all levels and ensure the links between levels happen and spur virtuous circles of change. The Wellbeing Economy Alliance (‘WEAll’ for short) is taking a three-pronged approach to supporting those who are active in bringing about a new economic system so that their efforts are more powerful and more effective. This entails framing and amplifying new narratives; working with movements, theorists, and practitioners to create a new power base to push for structural reform; and building alternatives.

1. New narratives

The current economy is dominated by a certain paradigm. A paradigm is those ideas that a society shares, its assumptions that are never questioned and the implicit understandings of how things work. It also constitutes the “beliefs and knowledge with which humans make sense and orientate their behaviour”.³⁰ In other words, what people believe to be the ‘common sense’.³¹ This paradigm generates socio-political and cultural norms, it informs how people think about and deliver education, and it shapes rules and laws. This paradigm is the cognitive cement locking in the current economic system.

To create a wellbeing economy, we not only need to weaken the old story that underpins the current economic system, but also create a new paradigm. This will happen when people’s frames of reference are transformed, when their sense of the possible is disrupted. This will see new questions being asked and in different ways, it will see different things being noted and results interpreted in new ways, it will open up new perspectives on what is possible.

2. Structural reform

Working to change the economic system at the regime level requires creating new coalitions and movements and developing shared strategies. It means supporting campaigners and activists and also those advocating for policies more conducive to a wellbeing economy. It needs to involve shining a light (by championing and disseminating) on pioneering projects, so policy makers see

them as feasible and desirable.³² To get policies recognised and accepted, there is a need to persuade, educate and mobilise the public so the ‘window of public acceptance’ expands to include those policies. WEAll is thus seeking to catalyse the formation of a global Wellbeing Economy movement

There is no need for this to be an all-encompassing movement – critical mass is more important. This means working with people who are ready for change and building from there to a tipping point (estimated to be around a quarter of a population).³³ This applies to activating the values critical to a wellbeing economy just as much as it applies to working with policy makers or practitioners.

Theory and its dissemination also matters – think tanks, academics, and publications all play a role in either constraining or opening and enabling the discussion and creation of a new economic system, and need to ensure it reflects the lived reality, wishes, and fundamental human needs of all. Vital is ensuring this wellbeing economy knowledge base not only shapes policy decisions, but also feeds into the very teaching of economics to policy makers of the future.

3. Building Alternatives

Developing prototypes at the micro level effectively begins to build the new system while the old one is still here.³⁴ This has an educational and ideological function since it spreads both awareness and points to new values (those that underpin a new economic system). Pioneering projects (be they community level, businesses or others) that disrupt the current system can also encourage others to replicate them. Eventually new norms will emerge and a critical mass will be reached. Working to change the economic system here, at the niche level, entails providing support for innovators and connecting them (for example, via communities of practice) so they encourage others to replicate their practice, ‘scaling across’, if you like.

Thus WEAll’s key tasks are to amplify and connect, build and promote. In practice, this means WEAll will work with as many actors as possible to construct a power base capable of shifting political decisions in favour of those conducive to a new economic system. It is being joined by a range of organisations and individuals. Its growing membership includes those working within the system to change it from the inside and those building from the outside. It includes academics, businesses, governments, cities, community organisation, NGOs, and think tanks. It welcomes anyone who wants to collaborate for system change.

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- ¹ Katherine Trebeck is Policy and Knowledge Lead for the Wellbeing Economy Alliance. She has over eight years' experience in various roles with Oxfam. Her forthcoming book 'The Economics of Arrival: Ideas for a Grown Up Economy' (co-authored with Jeremy Williams and published by Policy Press) is due out in early 2019.
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5

Transforming Care

by Susan Himmelweit¹

In a society with the wrong priorities, people who need care get a raw deal. In England,² 1.4 million people over 65, one in seven, now have unmet needs for help with tasks such as getting up, washed and dressed.³ This is a 20% increase in just two years. Despite growing numbers of older people, spending on adult social care fell by 8% in real terms between 2009/10 and 2016/17⁴ and an estimated 400,000 fewer older people received publicly supported social care as the eligibility criteria were tightened in response to insufficient resources.⁵

At the same time, many people are having their opportunities in life restricted by giving long hours of unpaid care, preventing the numbers with unmet needs rising even higher. The ONS estimates that the value of unpaid care (£57 billion per annum in 2014) dwarfs what is spent on paid care (just under £17 billion).⁶ Between 2000 and 2015, men and women over 50 increased the time they spent on unpaid care by 15% and 21% respectively.⁷ Long hours of care-giving, for young children as well as adults with disabilities, not only restricts carers' own life chances, but also generates significant gender inequalities in the labour market, because women take on unpaid care responsibilities more readily than men.

Part of the problem is the low status of paid care work, with care workers amongst the lowest paid in society and facing the worst employment conditions. To lead fulfilling lives, people need more than to be able to get washed and dressed, they need to be helped to exercise a full range of human capabilities, to meet others and to contribute to society. But under current conditions, care workers cannot do much about that; they are trained only to do limited tasks as quickly as possible before rushing off to the next client. Despite "personalisation" policies meant to give clients control over spending on their care, limited budgets mean that neither clients nor care workers have any effective say in what care they receive, how it is delivered and by whom, and collectively delivered services have effectively been killed off.

Childcare is in a slightly better state, but too few childcare workers are properly trained yet childcare is ruinously expensive for parents; parents pay far more than in other OECD countries.⁸ Dependence on private provision has led to government subsidies, such as so called "tax free childcare", simply fuelling price rises. This is partly because the government underfunds the hours of free provision that it pays for directly, so providers shift costs onto fee-paying parents where possible. And in areas where that is not possible, childcare, free or otherwise, is hard to find.

Through an inbuilt lack of generosity, a failure to value either what really matters or the people who could help provide it, and an obsession with saving money, the social care system is close to collapse, and the childcare system is unable to cope with demand. They are not systems worth saving in their current form.

How we got here

Capitalist societies appear to live by their economies. Accordingly, politicians develop policies to encourage greater participation in the economy and economic growth. But the economy is not self-sufficient, nor can participation in it encompass the whole of people's lives and desires. The economy also needs people, as both workers and consumers, to be born, grow and flourish. For that to happen not only do consumption goods need to be produced and money earned to buy them, but people also need to be cared for over their life course.

Like other necessary activities traditionally carried out unpaid by women within families, care has partially moved into the paid economy. Such outsourcing of domestic activity has been both cause and consequence of women's increasing participation in paid employment, with money earned in employment used to buy substitutes for what women previously produced in the home. This has happened later for care than for many other activities, partly because the productivity gains from outsourcing have been smaller and partly because gender norms allocating care to women within the family may have been stronger than for other domestic activities. Both these reasons are consequences of the importance of relationships in providing care: productivity gains in care are small because relationships cannot be mass produced and gender norms are strong because relationships matter to people. And both remain true today.

The welfare state developed as problems in the outsourcing of many previously domestically produced goods necessitated state intervention in the form of employment regulation, food and other product standards and public-sector provision. Such intervention has proved particularly necessary in care because its relational quality has meant that continual cost-cutting through mechanisation and mass production that transformed the provision of many other consumption goods was not possible in care to the same extent. Employers can cut costs in care only by employing fewer people or by employing more vulnerable or less well qualified staff to pay them less, but this inevitably lowers the quality of care provided. As a result, state intervention has been needed to regulate standards and the costs of care have remained high, out of the reach of most families without government subsidy or provision. Welfare state intervention in care has in practice been driven by a variety of motives, including increasing women's participation in the labour force and, for childcare at least, improving the life chances and productivity of the future workforce.

Until late in the 20th century, such developments had the broad support of both the working class and national industrial capital which depended on that labour force. However, that consensus gave way to neoliberalism as power shifted towards globally mobile capital, much of it financial, with little or no direct interest in the productivity of any national working-class. The welfare state's redistribution of risks both between people and over time became seen as a costly way to manage risk and a threat to the provision of individual insurance by the financial sector. Privatisation of public services was introduced to develop markets and reduce expenditure, with state subsidy available only for the neediest. However, given the inherent difficulties in reducing costs in care, privatisation has in practice both lowered care quality and workers' conditions and pay. This process was going on well before the financial crash, and the additional austerity imposed after it was just an opportunity for those intent on dismantling the welfare state to not let a crisis go to waste.

From the point of view of those in need of care, this produces a double whammy. The dominance of financial demands on the family, also an effect of neoliberalism, has left women determined not to be left out of the benefits of employment – increasing the demand for paid care and decreasing

the power of gender norms to define women's role as providing unpaid care rather than income. Local authorities with austerity-squeezed budgets cut the amounts paid to care providers, with the result that poor pay and working conditions have undermined recruitment and retention, rendering the whole system of care provision unsustainable. Changing gender norms, poor working practices, and declining care quality and availability all have the potential to cause long-term problems far more fundamental than the only aspect of the care crisis that the government has seen fit to address – how to pay for it as cheaply as possible.

One effect of the current underfunding has been to shift norms towards an acceptance of poor standards of care. Current calculations of the size of the social care “funding gap” give estimates of the amount needed to maintain provision at the 2015 level (£1.5 billion in 2020/21 and £6.1 billion by 2030/31), and sometimes of the amount needed to return to the higher levels of provision in 2009/10 (36% more than is currently being spent, with future funding gaps estimated to be far larger).⁹ However, those making such estimates no longer tend to note that even in 2009 social care was widely seen as poor quality and underfunded. Indeed, in 2006, the Wanless report found “areas of significant shortfall in what [the social care system] achieves. Some of this is the result of poorly delivered services, but it is also caused by limited funding and other resources”.¹⁰ Such lack of ambition and dilution of the commitment of the state to children and adults in need of care must be counted as one of the major successes of neoliberalism.

Resetting priorities

The failings of the current care system mean that a new approach is urgently needed which:

- a) Redefines its mission in positive terms: to enable everyone to be able to choose to do, as far as possible, what others can do unaided.
- b) Invests the resources necessary to provide the care infrastructure to fulfil that mission both now and in the future.
- c) Creates good working conditions, professional standards and a public service ethos in the care profession, so that both men and women are proud to work in it.
- d) Enables unpaid care to be freely given, without limiting other opportunities for those providing it or putting unfair demands on particular individuals to do so.
- e) Enables democratic, not just market, choice of the forms of care to invest in for the future.

To create such a care system, and a society which is willing and able to support it, a radical new vision of the goals of the economy and society is needed that makes the economy serve people's needs rather than being seen as an end in itself. Using economic growth as the measure of progress is neither sustainable nor desirable.

Failure to recognise the dependence of the economy on the rest of society has led to its undermining of the “care economy”, just as it does with the environment or “natural economy”. That the economy funds public services is well recognised, but not so much that it itself depends on the care, education and health systems (both paid and unpaid) to produce healthy, well-educated and well-cared for people. These systems, together making up the “social infrastructure”, are just as necessary to the continued health of the economy and its people as physical infrastructure.

But, further than that, the economy and its social infrastructure together contribute to producing its norms and practices. As argued above, gender norms allocating unpaid care primarily to women are being undermined by the increasingly ambitious involvement of women in the paid economy. Our social infrastructure needs to be sustainable not only in terms of the inputs it requires and the outputs it provides, but also in the norms and practices it supports.

A capabilities approach provides a radically different vision of the goals of society: replacing inadequate and unsustainable income and consumption goals by the goal of enhancing the equitable and sustainable development of “capabilities”, that is, what people can choose to do and be. As developed by Sen and Nussbaum and used in the Human Development Index,¹¹ capabilities not only capture the range of ‘things that intrinsically matter’,¹² they have the distinct advantage over monetary measures, such as GDP, in being able to recognise the contribution of all aspects of social infrastructure, including that of both paid and unpaid care. Martha Nussbaum lists ten core capabilities that include being able to experience emotions, affiliation, play and control over one’s environment, as well as the more recognised bodily health.¹³ Good quality care can contribute to all of these. By the capabilities approach a society is doing better if its population is more educated, healthier and better cared for, but in GDP terms all that matters is what is produced and could be sold. But these things in practice matter to us only in so far as they enable us to do or be what we want. They should be seen simply as means to such an end, and if pursued as ends in themselves will inevitably distort priorities.

In the capabilities framework, what matters to wellbeing is not just what people actually do, but the range of what they could do. It gives importance to the freedom to be able to choose what to do and to be, but the emphasis is on having the opportunity to choose “what one has reason to value”, not on just the existence of choice *per se*. Achieving such a vision would require providing the means for all to be able to make meaningful choices.

People have care needs when they cannot without help achieve the capabilities that are thought necessary for functioning in society. Democratic principles for deciding what these basic capabilities might be would need to be developed. But once a basic set of capabilities was decided upon, “maximum available resources” should be put into making them available as far as possible to all.¹⁴ Care services are not necessarily the only way to enhance basic capabilities; technological solutions may work in themselves or make care more effective, but services provided by human beings are likely to remain important to achieving all the more relational capabilities.

Proposals for reform

1. Reform the national accounts to recognise investment in care and other forms of social infrastructure

The way the national accounts are drawn not up only fails to value unpaid care, it also fails to count investment in social infrastructure as investment at all. Technically, any spending should be counted as investment if it has benefits that last beyond the current period. And what it pays for should be counted as infrastructure if it has a public good character. This means that its benefits are experienced beyond its direct users, and therefore if left to the market will be under-provided (that is, only to the level and quality that direct users purchase for themselves).

We can see spending on the health, education and care systems as investment in providing “human and social capital”, whose individual and social benefits accrue over time, with more educated, healthier and better cared for people capable of doing more with their lives, including but not exclusively being able to earn and produce more. This is analogous to physical capital, a machine say, whose benefits also accrue over time. Systems on the health, education and care are also infrastructure in that society as a whole gains from having healthier, better educated and well-cared for citizens.

The case for their long-term and public good benefits varies for different types of care. The investment case may be stronger for the care of younger people but, in so far as the care of people of any age brings improvements in capabilities that are cumulative, at least some portion of expenditure on it should be seen as investment. And there is certainly a strong public good case for having reliable systems of care to give reassurance to everyone, even those who do not currently need care, that not only their children and their parents, but they themselves should they ever need it, will receive high quality care.

The benefits of spending on care are widely ignored, largely because it is seen as welfare spending the long-term effects of which are rarely assessed, and a cost rather than an investment. National accounting rules enshrine that bias, by counting expenditure on physical assets alone as investment from the capital account, while all expenditure on care, even though it builds up human and social capital, comes from the current account. These accounting rules follow the internationally agreed System of National Accounts (SNA) and are consistent with the way GDP is calculated, by counting as assets only what can be transferred to others, and thus excluding human or social capital. It is the same problem that makes GDP such a poor measure of well-being; indeed, the SNA handbook emphasises that GDP is not meant to be a measure of well-being.¹⁵

Capital account spending is thus entirely biased towards physical infrastructure, and current account spending on care is less for also having to cover any investment spending on social infrastructure. This matters in terms of public discourse, but when fiscal rules treat investment and current account spending differently (as Labour’s proposed Fiscal Credibility rule does¹⁶) that bias is enshrined in those rules.

To remove the bias against investment in social infrastructure, all investment should be evaluated in the same terms. This will require developing new accounting methods to guide public policy. Although the public are not necessarily particularly interested in accounting methods, it would be important to explain why they are being adopted and to incorporate them, not the SNA classification, in any revised Fiscal Credibility Rule.

If such a revised Fiscal Credibility Rule took the same form as the existing one and allowed borrowing only to finance investment, then the timing of the resultant increase in capabilities should be used to determine what counts as investment. Spending whose effect on capabilities is expected to be in the future would count as investment coming from the capital account, while spending to increase capabilities in the current period would come from the current account.¹⁷

Decisions about what investments to make should also be guided by capabilities. Both the benefits and costs of any spending, and hence whether it is seen as a good investment, should be evaluated by its effects on capabilities, counting what it does to improve future capabilities against how its

costs might reduce current capabilities. Thus, improved care services that increased only some people's future capabilities funded by taxes on people whose low incomes constrain their current capabilities might be a bad investment. But one whose cost in terms of current capabilities were smaller, perhaps because more equitably spread, or future capability gains greater or more widely spread might be a good investment.

Such a capabilities-based measure would take time to be developed and find acceptance. In the meantime, a cruder measure of investment in social infrastructure, evaluating effects on the public finances, could be used in policy development and any fiscal rules. Thus, spending on a project would be seen as a good investment if its future savings on public expenditure (suitably discounted) outweighed its current costs. Implicit in such an evaluation would be some assumption about future policy, because whether something is a good investment now depends on what future society would be willing to pay for. Were policy both now and in the future to be guided by its effects on capabilities, as argued above that it should be, then this approach would also capture what is a good investment in capabilities terms.

2. Invest to expand the care sector and deliver jobs to pay for it

Massive investment in our care infrastructure is now needed. Investment in infrastructure is often called for when an economic stimulus is required. Not only will the country gain the future benefits of such investment, it will also gain in the short-term by employment and growth being created. Investment in care has long term benefits, as argued above, but it also leads to far greater employment benefits in the short-term than investment in physical infrastructure. For example, research by the Women's Budget Group has shown that up to 1.5 million jobs would be created in the UK if 2% of GDP was invested in the care sector, compared to 750,000 for an equivalent investment in construction, the typical focus of physical infrastructure investment.¹⁸

Further, unlike most other forms of investment spending, investment in care also increases the labour force, by enabling those currently doing unpaid care to take jobs or increase their level of employment (and hence their capabilities in many respects). Thus, even in times of near-full employment, investment in care expands the economy and thus its tax receipts. Even though expansion of the economy and increased tax revenue should not be the ultimate goal of care provision, or indeed of any policy, these two effects counter the unwarranted criticism that investment in care is unaffordable.

The balance of current costs versus increased tax receipts depends on the type of care provided, whether those who currently provide it unpaid would be likely to take employment, and the current system of state subsidies it attracts. It will also depend on the quality of care provided (the above estimates of jobs generated assume that care workers remain on the current rates of pay – however, initial calculations suggest that paying care workers considerably better would still leave the highly labour-intensive care industry a far better generator of jobs than construction). Childcare provision is likely to have the largest effects on labour supply, and it has been estimated that around 90% of the annual cost of providing universal childcare would be recouped from increased tax revenue from additional earnings (including indirect taxation from increased spending) and reduced need for social security benefits.¹⁹ This is without counting the gains from the increased capabilities of either better cared-for children in the future or from their mothers retaining their labour market skills.

Even though employment rates are currently high, many people are not employed for as many hours as they want or in jobs that fully use their skills. So there remains an argument for stimulus spending to give workers more bargaining power and to boost employment prospects. And if projections for the levels of unemployment that will be created by Brexit or by technology replacing workers in the future are correct, such stimulus will continue to be needed. Given the projected shortage of care, it is much more sensible that people be employed to deliver high quality care than be left unemployed.

Indeed, the care industry is, and is likely to remain, one of the few growth industries. Investing to ensure that the care provided is of high quality, and thus sustainable in terms of social relations and the environment, can only be a good thing. Because the labour demands of good quality care will remain high, more and more of us will be spending our time providing care in any desirable and sustainable future. It is therefore also important that we learn how to do so better.

3. Improve the status, working conditions and pay in paid care, so that both men and women are proud to be care workers

As well as failing to deliver care that really enhances capabilities, the paid care industry is having difficulties recruiting and retaining staff (difficulties that will only be made worse by Brexit). In the face of women's improving qualifications and opportunities to enter other careers, more will need to be done to attract both men and women willing to learn and deliver good quality care into the industry.

To ensure that care is valued properly and leads to the long-term benefits outlined above, the notion of what care is for needs to be transformed. Instead of its limited current ambitions, which are largely focused on bodily needs, its focus should be on enabling everyone to reach their maximum potential, with help where necessary, across the full range of capabilities. Care workers should become capability facilitators, work that requires among other skills:

- knowledge of the likely progression of capabilities with age and health conditions, the forms of help that can restore and preserve capabilities and the social resources available to support those in need of such help;
- imagination in finding solutions to meet individual needs; and
- the ability to learn from experience to improve performance.

All these skills can be learned, but they are far more extensive than those that are currently required of care workers, who are seen as simply doing for people what others can do for themselves. It is that view that leads to care being seen as unskilled work – just doing what the rest of us do anyway and/or women do unpaid for others in the family – even though in practice many care workers acquire unrecognised skills and do much to enhance capabilities.

The first step would be to introduce training and a new professional qualification for care workers based on the above principles. But to make that a qualification that people would be willing to get, and care work a profession that people would be keen to enter, there would need to be a proper career structure, comparable with that of other skilled professions, with entry level care workers paid above a realistic living wage and prospects for substantial progression. Contracts would also

have to be improved. It is a measure of the depths to which delivering high quality care has fallen as a policy goal, that in work where the quality of relationships is critical, zero-hours contracts are now the norm and many people are not even told who will be coming to care for them each day.

Taking an overall approach focused on enhanced capabilities is a challenge, particularly in elder care, where it requires a much greater change from existing practice than in the care of younger people with disabilities or childcare. This is an opportunity to transform an industry in a much-needed positive direction. Up to now, long-term care work is often a job of last resort, for those who cannot get a “proper” job, who have then to put up with terrible working conditions. This should be transformed so that all care work is well-paid, skilled work with good conditions, so that sufficient numbers of people are proud to choose it as a career.

4. Regulate employment around the assumption that everyone is a worker-carer.

The professionalisation of paid care described above should greatly improve standards and, provided it is universally available, should relieve the necessity of having to do unpaid care. However, paid care will always work in tandem with the care that families and friends freely provide. Such care, providing that it does not become burdensome, can be life enhancing for both carers and those they care for. But to remain part of the mix without causing unacceptable demands on some individuals, it will need to be better supported by good quality reliable professional services. Carers should never be left to cope on their own without support, and the amount of care they accept to provide should be regulated so that both they and those they care for get a break from each other and have time to do other things with their lives.

What else people want to do with their lives is not just to take employment, but it is above all in employment that conditions need to change if carers and those they care for are to be treated equally. Good conditions in employment might then spill over into other activities, so that they too become more adaptable to the specific needs of those who give and receive care.

With respect to employment, it should be regulated around the assumption that everyone is both a worker and carer (of children or of adults) and that many in receipt of care are also workers. Regulations should focus on ensuring that:

- 1) Conditions of employment for everyone should be compatible with reasonable care responsibilities and disabilities, which should not disadvantage people in their careers.
- 2) Where they can, employers should be required to adapt conditions to specific circumstances.
- 3) Individuals should have rights to take leave, without loss of income, for periods when care demands are exceptionally high.

The first of these would require making normal working hours compatible with caring responsibilities, by regulating the length of the working day and specifying the notice that has to be given of when workers are needed. Rigorous enforcement of working time regulations without exception is essential because any type of work exempted from such regulation would be less open to those with caring responsibilities (and those in need of care).

Currently such people are more likely to be women, perpetuating gender inequality. But even if that were not the case, closing off opportunities to those with caring responsibilities sends the wrong signal about the place of care in society. No job should be considered so important that it cannot be combined with carrying out the normal duties of a carer, or be done by a person with a disability. Nor should those with care responsibilities have to pay for the conditions that they need in lower wages. Employers should also have to give an agreed amount of notice of when workers were required. Some workplaces have found that leaving workers to negotiate shifts with each other more effective and reliable than top-down dictates.

Employers should also be required to adapt working conditions to specific circumstances, primarily to accommodate specific disabilities and when a carer has specific needs, for example to make phone calls. Resources should be made available to help with the cost of such adaptation where they are needed just for specific individuals rather than could reasonably be provided for everyone.

Workers also need individual rights to take time out of employment at times of exceptional caring responsibilities such as after the birth of a child, when children or others being cared for are sick, and when existing care arrangements need modification (many such periods are already covered by sick leave regulations for those with disabilities). Such leave must be non-transferable, an individual entitlement on a “take it or lose it” basis, rather than allocated wholly or in part to families, otherwise current gender norms and inequalities will be reinforced by women taking most of any family allocation. Paying such leave at replacement rate will ensure that income considerations do not influence its take up. The current very low rate of pay for maternity and paternity pay discourages men, who are generally the higher earner in a family, from taking even the small amount of leave to which they are currently entitled. Because it would be considered unfair for general taxation to fund high rates of replacement pay, payments should be reimbursed from a dedicated national insurance fund to which employers would contribute on a progressive basis (unlike current national insurance payments).

Making having caring responsibilities the norm, by assuming all workers to be carers, should encourage an expectation that those without current family caring responsibilities would take up volunteering opportunities, perhaps to provide care or other forms of support to those lacking it from family. A system for organising such volunteering should be developed in local areas.

5. Reform the institutional structure of the care industry

A new National Care Service (NCS), working closely with the NHS, is needed. The NCS should provide care and other forms of support free at the point of use to all those whose capabilities are currently restricted. It should also be charged with developing policy and making investments so that people of all ages and abilities retain, and hopefully enhance, whatever basic capabilities they currently have. It would work alongside the education sector, specifically the National Education Service that Labour has committed to setting up, whose remit should be enhancing capabilities that are dependent on education beyond that basic set.²⁰

The range of basic capabilities for whose provision the state would take responsibility should be decided at a national level. However, decisions about the mechanisms for enhancing capabilities should be decentralised, down to the personal choices of individuals in many cases. But this would

differ from the current notion of personalisation of care, because those choices would be made in a context in which high quality collective services are always available. Collective provision is necessary to avoid the isolation and loneliness created by the current policy of simply giving those needing care individual budgets to buy their own services. This is a very thin notion of “personalisation” that restricts choice to what the market will provide and has led to the demise of many day centres and other collective forms of care.

Putting that into practice will entail what has been called “co-production”. This is a concept that has many definitions, but all of which include in stronger or weaker form: “professionals and citizens shar[ing] power to plan and deliver support together, recognising that both have vital contributions to make in order to improve quality of life for people and communities”.²¹ Such an idea differs from current practice in that: decision-making power is shared, not just users consulted; support is planned, not just reactive to immediate needs; users contribute to that support in whatever way they can, so that others do not just “do for” them; the aims are not only to benefit individuals but also the community as a whole; and it is recognised that even those with reduced capabilities can contribute to that. Co-production methods are thought to be particularly suitable for developing preventative strategies, such as investment in retaining capabilities into the future.²²

The notion of “co-production” draws on much stronger notions of power, and hence personalisation, than that of the individual using their consumer power to drive value for money in the market – a notion of power that has proved so limited especially in the context of inadequate individual budgets. Specifically, co-production can encompass collective provision of services. There is a large literature on co-production, and it has received wide support, even being built into the 2014 Care Act, the NHS and NICE guidelines, although very few examples exist of it being put into practice at scale.^{23 24}

That even a government presiding over our current woefully inadequate care “system” can espouse the principles of co-production shows that they are not enough. In a care system made up of private-for-profit providers, consumer choice cannot adequately guarantee the quality of care provided by profit-seeking institutions, because cost competition will dominate quality considerations. For the market to police quality, consumers need to be well-informed, able to make choices and put them into practice, and mistakes need to be rectifiable at no cost. None of these conditions are satisfied for care. Instead, the quality of relationships is hard to assess without experiencing them, choices are often made in emergency situations with a limited set of available alternatives, and changing providers is always costly since new relationships need to be built. The key conditions for the successful exercise of consumer sovereignty are simply not met when it comes to the market for care. As a result, care that is produced for profit tends to be of poor quality, and the scandals that regularly occur in the current system are not so much exceptions as the tip of an inevitable iceberg of systemic failure.

This is not to say that all existing for-profit providers are delivering low quality. Some do an excellent job in poor conditions. But they do so despite the need to make a profit, rather than because of it, and they are often private-for-profit enterprises only because that is the only institutional form currently available to most small providers. Although they often provide higher quality, small providers have difficulty competing financially in an industry that is increasingly dominated by large chains that cut costs to achieve high rates of return in an essentially low risk industry where large providers are simply too big to fail.²⁵

Delivering high quality care through the principles of co-production will require repudiating the profit motive and developing new institutional forms for care provision. The National Care Service would be in essence a public sector institution; however to foster co-production and innovation it should be open to collaborations with other non-profit oriented enterprises and co-operatives. In transitioning to such a system, the large chains should be brought into the public sector but smaller providers that can demonstrate high quality, good employment practices and a willingness to adapt should be offered grant funding provided they become non-profits and work to locally set objectives.

Currently social care is provided in people's own homes, whenever the limited ambitions of the current care system can be met there more cheaply for the state. Any transition to residential care then comes so late, and in response to such extensive care needs, that no-one would willingly choose to make it. Other countries have a wider range of housing possibilities for the elderly than in the UK, some that enable a relatively seamless increase in care support. New institutional forms of housing should therefore be developed to make such housing a reality in the UK.

This should enable more coordinated, collective forms of care too. For example, local care centres could be set up that include a day centre, sheltered housing and a residential home, from which domiciliary services are run so that people can seamlessly receive the level of care they need and retain/develop capabilities and relationships in their own community. Such centres, if made sufficiently desirable, should have the side effect of freeing up under-occupied accommodation and so contribute to reducing the housing shortage. They should also help with keeping people active longer, safe in the knowledge that the level of care that they need in the future will always be available without disrupting their current social relations and support.

Similarly, community centres could combine childcare for pre-school children with other children's services as well as training courses and evening events for adults – effectively Sure Start centres for the whole community. They might be combined with the local care centres, so that all ages would mix in them. In this way a focus on care could also be a focus on communities.

Tensions and debates

Few progressives would disagree about the unacceptably low standards and unacceptably high cost of care provided by the current care system. Nor would the current mode of delivery by the private sector be widely supported. However, some progressives might question whether the public sector would in practice do better, seeing the state as too unwieldy and monolithic to be sufficiently innovative, favouring a more dispersed third sector, non-profit route. However, non-profits cannot be relied upon to provide universal coverage. A market consisting of well-motivated non-profits is likely to produce higher quality than one dominated by the profit motive. However, inequalities of provision and access are likely to remain. If there is a trade-off between equality of coverage and encouraging innovation, arguably it can be best met by public sector provision that allows the possibility of grant funded innovation by the third sector.

There has also been some support for alternative market-based approaches, notably the “Wages for Housework” movement that sees paying unpaid carers as the solution. Others support individual budgets, saying they have allowed social care recipients to purchase care more suited to their needs than low quality local authority provision. To my mind, neither of these solutions are

sufficiently radical. Paying carers for doing unpaid care will not necessarily raise its quality, is likely to entrench it as predominately women's work, and would deprive those being cared for in this way of the benefits of professional care. Individual budgets have been introduced in the context of saving resources at a time when the standards of public services had been allowed to drop dramatically. Such budgets may have enabled some innovative use of limited funds to purchase forms of care appropriate to individual needs, but the cost has been the withering away of collective services both in reality and, more seriously, in the popular imagination of how care could be improved. If public services were better resourced and introduced in the spirit of co-production, it's not clear that they would attract the same criticism of being unresponsive to individual choice.

Another controversial part of the programme outlined here is its emphasis on changing existing accounting methods. Some progressives would see challenging existing accounting methods as politically dangerous, citing the disreputable history of official statistics being manipulated to support particular arguments. However, what is being proposed is not to hide GDP and its accounts, but to replace them explicitly for policy making purposes. The argument can be made, but it must be made carefully and will take time to gain acceptance.

Finally, there will be progressives who see the care sector, and promoting capabilities, as not the real stuff of economic or industrial policy, which needs to be focused on re-establishing a healthy manufacturing sector. I think that is a mistake: the future well-being of the UK, or indeed the world, will not be based on manufacturing. On environmental grounds, as well as in terms of what actually matters to people, we should expect the manufacturing sector to decline as a share of any healthily developing economy, in the way that agriculture and extractive industries have declined in the past. Although there is a chronic maldistribution of the output that is produced by the sector, that is not going to be solved by simply producing more things. Just as getting richer has meant fewer people involved in producing food, because productivity has risen faster than demand, so we will not need more people producing things. As the saying goes, "the best things in life are not things". What matters far more is that we look after each other well and learn how to do so even better.

Because of the way care is currently organised, the people who know this best and would support this programme most strongly (i.e. care givers and care receivers) tend to be isolated, with little time for political activity and thus particularly hard to organise. Some of the proposals in this programme might change that, but there is still a need to build initial support for that direction of change.

From here to there: strategy, implementation and next steps

As in all areas, where the problems are interlinked, it will be necessary to effect change in all areas at once to weaken self-reinforcing links. This will require a concerted attempt to argue for the redefinition of societal objectives to politicians, think tanks and in the media. I suspect that many ideas within this programme would find popular support, but people will still worry about whether it is affordable. That is, they will hold competing ideas at the same time: that care matters more than money, but that we still can't afford to pay more for care. This will need to be challenged.

It will require a bolder adherence to the principles of equality and collective provision than shown in the last Labour manifesto, which argued for improved public services paid for by the rich alone. Instead a deeper commitment both to those services and to equality is needed. The case for

collective provision of public services in and of themselves needs to be made forcefully: that everyone would be better off, especially those on lower incomes, if some of their current disposable income went to supporting better public services.

There also needs to be a more serious commitment to improving equality, that is using taxation not just to reduce the disposable income of the highest earners, but to redistribute throughout the income distribution. This means being willing to rethink income and wealth taxes and national insurance altogether, reviewing them along with the social security system, and taking account of the fact that living standards in the bottom quintile the household income distribution are made up more by public services and benefits than by taxable income.²⁶ Accepting limits on the changes that can be made to taxes, as was unwisely promised in the last Labour manifesto, is to be steered by the interests of those earning at least enough to pay these taxes, and not to take the interests of much needier people, including those needing care, as seriously. We need to say that a more equal society will be better in many ways for everyone, but not promise that it will give everyone more money.

And then there is Brexit. As a new beginning, it might conceivably provide the opportunity for a rethink of priorities, but that needs to be counterbalanced by the danger that a UK government not restrained by the EU would be more likely to adopt neoliberal policies. Indeed, the policies outlined here are far more likely to gain support at a European level than in the UK. The EU has a neoliberal constitution (largely through influence of UK), putting more emphasis on controlling the “economies” of euro members than retaining their social provision. But in current circumstances many other countries in the EU might be easier to persuade of the sort of vision proposed here than the UK. Brexit might provide the opportunity for capital controls, which might be needed since the neoliberal interests that have been working to dismantle the welfare state are unlikely to be convinced. However, Brexit will provide additional pressures on the existing system, particularly on the recruitment of care workers to poorly paid positions, and we know that even existing labour market protections may not survive Brexit, let alone the additional ones advocated here to protect carers.

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- ¹⁴ "Maximum available resources" is the phrase used for what states must put into achieving basic human rights. See e.g. <https://www.cwgl.rutgers.edu/economic-a-social-rights-257/154-publications/esr/380-maximum-available-resources-a-human-rights-analytical-report->
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Industrial Policy: Impossible, But Indispensable

by Craig Berry¹

The term ‘industrial policy’ has not aged well. It was once obvious that it denoted measures to support industrial development, chiefly in manufacturing industries, within economies dependent on agriculture. Although manufacturing rightly remains central to most industrial policy agendas, in advanced capitalist economies it clearly makes no sense for public sector support for the economy to be focused exclusively on manufacturing. Industrial policy has accordingly become all-encompassing – including even agricultural industries – yet, at the same time, almost meaningless.

In recent years a more muscular reimagining of industrial policy has emerged, notably via the World Bank. An influential World Bank paper by Dani Rodrik states that industrial policy “denote[s] policies that stimulate economic activities and promote structural change”.² The reference to ‘structural change’ suggests that industrial policy should be concerned with more than ‘any old growth’. It must be the right kind of economic growth; or, more precisely, industrial policy should ensure that the economy is able to keep growing over the very long term by guiding industry towards new opportunities for capital accumulation.

But how do we know what kind of structural change is necessary? Who decides? While it might seem obvious in hindsight that the public sector’s power and resources should have assisted industrialisation, is it conceivable that might at some point deem structural change unnecessary, and industrial policy therefore redundant? Capitalism clearly cannot survive without myriad forms of state intervention. We need to think of industrial policy not as a discrete attempt to upgrade industry, but rather a permanent (but not unproblematic) feature of economic governance.

The most obvious fault line in the scholarly understanding of industrial policy is the question of whether interventions must be vertical (focused on particular industries or firms) or merely horizontal (supporting the general business environment). In another World Bank paper, Ha-Joon Chang states that industrial policy must involve ‘targeting’, that is, “a policy that deliberately favours particular industries over others, against market signals”.³

Industrial policy should shape as well as frame markets. This is now an uncontroversial position among most economists, and is clearly faithful to industrial policy’s origin story in terms of supporting manufacturing (Chang has consistently and convincingly proselytised the importance of manufacturing industries to economy-wide productivity growth⁴). But the translation of theory into practice is not at all straightforward. It is entirely possible for vertical interventions to be rather conservative, benefiting powerful incumbents rather than genuinely promoting structural change. Equally, a radical horizontal agenda is certainly possible, especially if industrial policy was associated, for instance, with finance sector reform to improve the supply of investable capital

throughout the economy (although the supply routes could also involve targeting particularly important industries).

Conventional wisdom suggests that the UK has a very weak or limited industrial policy tradition. Although there have been periods of history in which this orientation has been challenged, it has been reinforced by the dominant neoliberal perspective in recent decades, which ostensibly eschews interference by the state in market dynamics. Some policy-makers would contend that the UK does practice industrial policy, albeit a horizontal rather than approach. Either way, the effect is the same. The UK economy has failed to adapt sufficiently to deindustrialisation, exacerbating vast inequalities between industrialised regions and London and the South East, which has longstanding strengths in high-value service industries, principally finance. It has seen a related hollowing out of the labour market (with a decline in intermediate-skill and median-earning occupations), developed an ever more precarious trade deficit, and become acutely vulnerable to short-term financial shocks. Relatedly, the UK has failed (or is failing) to establish itself at the front of the so-called ‘fourth industrial revolution’ (encompassing digitalisation, artificial intelligence, etc.), which may ultimately call into question its own status as a first-rank industrial power.

An alternative reading suggests that the UK has pursued a highly interventionist (and vertical) industrial policy agenda in recent decades, albeit one which has focused on finance and related industries, rather than manufacturing.⁵ This is the argument that the financialisation of the UK economy has been a deliberate strategy rather than something that has happened by default in the absence of more traditional industrial policies. Even if we accept this interpretation, it does not substantively alter the nature of the dilemma facing the UK economy – although it does perhaps underline the danger of assuming that it will be easy for a new government to reorient the institutions of the British state towards a more radical industrial policy framework.

The government led by Theresa May has arguably initiated a process of reorientation, via the creation of the Department for Business, Energy and Industrial Strategy (BEIS) and the publication of its industrial strategy white paper.⁶ This agenda had first emerged under the Brown government, after the financial crisis, before being taken forward by the coalition government (under business secretary Vince Cable). It was abandoned in favour of a largely horizontal ‘productivity plan’ focused on deregulation under the brief Cameron majority government, but May – who had quietly supported the Cable agenda – revived it, in line with her apparent commitment to a more inclusive economy after the Brexit vote.

The invocation and institutionalisation of an industrial *strategy* is itself an interesting moment, suggesting an agenda more substantive than simply supporting key industries, but also offering a coherent, long-term plan for economic change. As well as attempting, ostensibly, to move UK industrial policy towards continental-style support for high-value manufacturing, the industrial strategy also defines four ‘grand challenges’, and seeks to focus additional support for R&D on industries related to these challenges. There are of course questions about whether the strategy is sufficiently resourced to meet its objectives (it is not, but it’s a start), but also thornier issues around the institutional vehicles through which the strategy will be delivered. A lack of genuine institutional change – and even the further privatisation of economic governance, through business-led sector deals – will dampen the radical potential of the May government’s industrial strategy.

However, we should not simply assume that a souped-up version of the May government's approach will be sufficient to address the malaise and chronic inequalities which characterise the UK economy. Arguably, the Labour Party's current industrial policy agenda can be understood in this way. There are serious question marks about whether it is already too late for the UK to catch up to similar economies in terms of benefiting from the next generation of productive innovation. Brexit could have a catastrophic impact on industrial capacity. Even if the UK could develop high-value manufacturing on a larger scale, there is little reason to believe this would lead to higher-quality jobs or higher earnings for most people in most places. We will need to have a much better approach with regards to supporting the low-value sectors where the majority of people are employed (and upon which high-value industries depend), and an answer to the question of how we decentralise economic policy powers. The latter is necessary to disrupt a finance-centred development model, but will at the same time problematise the delivery of a coherent, national strategy.

A new approach

From a progressive perspective, the dichotomy between horizontal and vertical industrial policy is a false one. We need horizontal interventions that genuinely upgrade the whole economy's productive capacity, and vertical interventions that do more than support powerful incumbents. The revival of industrial strategy in the UK is a useful first step, but also perhaps a mis-step. The creation of a coherent and more long-term approach to the operation of conventional industrial policy would be welcome, but we must go beyond this to reimagine the role and resources of the public sector and democratic institutions in shaping and overseeing the economy's development.

It would therefore be better to think in terms of **strategic economic management**. This entails:

- Understanding the capitalist economy as a set of institutions that can be shaped over time in myriad directions.
- Utilising the state's unique powers of coordination and convening, and its ability to pool risk, create markets and provide public goods, across multiple policy areas and layers of authority.
- A very long-term approach to economic development, focused on transforming our ability to deliver public goods and addressing chronic failings – but acknowledging also how the UK economy relates (or could relate) to the rest of the global economy.

How and where we intervene in the economy cannot focus only, however, in the seemingly high-value activities such as advanced manufacturing industries. The 'everyday' or 'foundational' economy, spanning the public and private sectors, is where the basic needs of society are met: providing care, producing food, maintaining the lived environment (both personal and public spaces), enabling mobility, etc. Such activities are not the source of major productivity improvements – but nor should they be. We certainly need to consider how to disseminate innovation into these areas, but for the purpose of improving resilience rather than profitability per se.

Crucially, these are the activities that allow the rest of the economy – indeed society in general – to function. We need to conceive of the subject of industrial policy as an intricately **layered**

economy, in which the needs of workers, families, and communities are as important as supporting basic science, the energy supply, distributional infrastructure, knowledge-based services, technological development and manufacturing output. The foundational economy is of course also the source of the majority of jobs in the UK; improving working conditions will boost living standards.

Industrial policy cannot be operated solely by central government in a technocratic manner. Even if key central departments had not been ‘captured’ by certain firms and industries, they simply lack the informational capacity to successfully manage such a diverse and troubled economy – most foundational activities, in particular, are highly localised, and should be governed as such. Industrial policy must therefore be **localised**. It must also be **democratised**. To operate an industrial policy without the constant input of workers, entrepreneurs and consumers, etc. would be to entirely miss the point: an industrial policy that is not focused above all on developing the **capabilities** by which individuals contribute to productive activity, broadly conceived, is bound to disappoint.⁷ Localising and democratising finance – specifically, some of the mechanisms by which capital is allocated to productive activity – will be crucial in this regard.

The UK’s highly centralised model of economic governance is part of the problem. But it can also be part of the solution too. If this new approach can be instilled at the Treasury, the department’s authority within Whitehall will help to ensure these principles are embedded throughout the public sector. An independent monitoring body, answerable to parliament – building on what we already have in the form of the Office for Budget Responsibility – can counter-intuitively assist the democratisation of industrial policy by ensuring that governments are accountable for their stewardship of the economy.

We are fortunate also that the devolution of economic powers is already underway, with Treasury backing – although the process will have to be repurposed. A progressive industrial policy can build upon financial bodies such as the British Business Bank, as well as the conventional banks which remain in public ownership. The UK’s highly privatised pensions saving channels – a source of highly inequitable welfare outcomes – can also be mobilised for progressive ends.

Ultimately, an industrial policy which both seeks to build, but also relies upon, individual capabilities must be accompanied by new forms of mobilisation and representation for workers, consumers and savers. The trade union movement has a crucial role to play – but the creeping disappearance and waning salience of trade unions within private sector service-based industries must be reversed as a matter of urgency. Fortunately, this is a mission that can be adopted and addressed from outside government.

Industrial policy in practice

There are few, if any, areas of public policy or public spending that would be untouched by a meaningful, comprehensive industrial policy agenda, from national security and monetary policy (macroeconomic policy is usually considered separate to industrial policy, but clearly the former must be consistent with the strategic ambitions of the latter), to fixing potholes and cleaning services for government buildings.

Most obviously, a progressive industrial policy would have to encompass policy development on energy supplies, competition policy, skills provision, higher education and research, corporate

governance, and employment regulation – among many more issues. This section will highlight just four potential priorities for an incoming administration, focusing on those which typify the broader approach to industrial policy advocated, rather than identifying the industries which should be targeted.

1. Democratising finance

The clamour on the left for new financial institutions to help to rebalance the UK economic model towards productive activity, and away from real estate and the finance industry itself, continues to grow. The two most important sets of proposals relate to a national investment bank (NIB; supporting a network of local or regional banks) and citizens' wealth funds (CWFs; which could also be locally organised). The two ideas are not necessarily mutually exclusive, insofar as the latter could be used to capitalise the former.

The NIB proposal has been advanced most forcefully by the UCL Institute for Innovation and Public Purpose.⁸ It has the benefit of building upon very solid foundations: decades of evidence on the operation of public banks in other countries, public ownership of RBS in the UK, moves towards the creation of public investment banks in Scotland, and the mixed experiences of the UK-wide Green Investment Bank and British Business Bank (which are not really banks!). Essentially, a NIB would invest counter-cyclically to drive innovation in industries deemed essential to the long-term health of the economy, but currently under-served by private finance.

CWFs would utilise public assets or tax revenue streams to invest over the very long-term, supporting industrial development but also generating returns which can be invested in public goods. A slightly more radical version of a CWF would see it capitalised by the socialisation of common resources, such as personal data (so the private enterprises using these resources would have to contribute to the fund).^{9 10 11} While CWFs could invest, like a NIB, to drive innovation, their investment priorities are usually articulated in much broader terms, formed around supporting the development of individual and local capabilities (this idea therefore overlaps with the ideas around the foundational economy and universal basic infrastructure discussed below).

Both sets of proposals raise unanswered questions around funding and governance. A NIB could be funded in many ways, but the various options would have implications for the size, stability and risk appetite of the institution. CWFs claim the mantle of being organised democratically, as well as investing for the public good, but few proposals have yet to produce a satisfactory mechanism for mitigating an elite-led fund management process.

A progressive industrial policy agenda should therefore consider how pensions saving can be used to create new funds for capital investment in productive activity. The UK is in the middle of a transition from collective defined benefit pensions provisions (in which associated funds briefly enjoyed considerable influence within capital markets, but are now focused on managing risks associated with scheme maturity) to individualised defined contribution saving (which is now near-compulsory for employees). The younger age profile of schemes delivering 'automatic enrolment' should enable longer-term, riskier investments, but the individualisation of risk, and recent dismantling of the annuities market, means the investment strategies are likely to become even more conservative.

The vast sums regularly invested in pension schemes means there is a major opportunity here for progressive actors – even a slight reorientation of investment strategies could mean substantially more capital is available to invest in the kind of projects often associated with a NIB or CWFs. Pensions saving directly links individuals to the creation of very large funds for capital investment, and its link to the workplace means savers can, in theory, exercise influence on investment decisions through trade unions. It would of course be right to retort that pensions saving should be used primarily (or exclusively) to fund a decent retirement income – but we should be under no illusion that the current pensions system is likely to achieve this outcome for most workers in the process of being automatically enrolled in poor-quality workplace pension schemes.

Moreover, there is no suggestion here that pension savings should be entirely used to support the industrial policy agenda of the government of the day. There are much more modest ways to achieve progressive outcomes in this area:

- A large-scale move towards ‘collective’ defined contribution saving (supported by the coalition government) would mitigate the inherent conservatism of defined contribution investment decisions.
- The National Employment Savings Trust (NEST), a government-backed defined contribution provider, could adopt an investment mandate with more focus on investing in local areas or productive activities.
- The government’s ‘pot follows member’ approach to the transfer of accumulated funds when savers move jobs could be adapted to enable members to choose to invest dormant savings accounts in a collectivised fund – a reformed NEST or CWF-style bodies could support the delivery of this model.
- Pensions tax relief arrangements could also be used – for instance, by relaxing restrictions on relief for very high earners – to incentivise long-term investment.
- Central government could offer ‘infrastructure bonds’ to enable pension schemes to invest safely in projects that support long-term economic development. Local authorities could also be empowered to offer similar products in order to attract pensions capital to their localities.
- Most innovatively, savers could be offered the opportunity to invest part of their regular savings in supplementary schemes, ideally organised locally, outside the process of conventional pensions saving.

2. The other UBI

One of the most prominent recommendations of the Industrial Strategy Commission (of which I was a member) was that the UK should adopt the principle of ‘universal basic infrastructure’. This notion deliberately riffs off ‘the other UBI’, that is, universal basic income. Yet while some form of citizens’ income may have a role in alleviating poverty, it may at the same time lock in geographical inequalities in earnings. Moreover, the idea is focused only on our ability to consume, rather than our capacity to produce, and may therefore reinforce key elements of the pre-crisis national growth model.

Universal basic infrastructure in contrast is about enabling individuals to contribute productively to the economy. After all, even with higher benefits or a basic income, no individual can buy a transport network or a high quality education system for their town or city – yet these are vital ingredients for enhancing individual capabilities. No part of the UK should be held back by deficiencies in the hard and soft infrastructures required to support productive activities. This means, for instance, a fairer regional distribution of transport investment, an end to broadband blackspots, and regulation that encourages investment in utilities. But it also means access to world-class public services wherever you live in the UK.

The Commission acknowledged that delivering universal basic infrastructure would be a costly endeavour which would, other things being equal, require increases in tax and/or borrowing. Good industrial policy requires a dash of Keynesian macroeconomics. Support for the foundational economy, discussed below, would also overlap significantly with universal basic infrastructure. What the Commission did not reflect upon, however, was the nature of universal basic infrastructure as an individual entitlement, and how it would be enforced and monitored. Clearly, while health and education policy-makers should be represented within industrial policy-making, it would be inappropriate for every policy area related to hard and soft infrastructures to be organised within a single institutional structure.

What is more important is that the principle is established across government at all levels. The most obvious first step would be to expand the remit of the National Infrastructure Commission (NIC), so that this body not only advises in particular projects but regularly appraises government's success in maintaining universal basic infrastructure. Parliamentary oversight of the NIC would increase its connection to ordinary citizens. It would also be crucial that local authorities are represented in the NIC's governance. Since all infrastructure is in practice local, even if particular projects have national significance, the principle of universal basic infrastructure could be written into the mandate of local authorities. As a universal entitlement, national government would ultimately be responsible for the delivering universal basic infrastructure. But the principle could underpin agreements between central and local government around additional infrastructure investments.

3. Fixing the foundational

The notion of the foundational economy has been developed by scholars and practitioners connected to the Centre for Research on Socio-Cultural Change (CRESC) at the University of Manchester. Encompassing the economic activities listed above, CRESC's 'manifesto' outlines the three sets of institutions which dominate the foundational economy:¹²

- The state, locally and centrally – providing or procuring services, regulating quasi-monopolies, and overseeing the planning regulations which partially structure the foundational economy.
- Privatised utilities – private companies, supported by the finance sector, effectively dominated industries such as energy and rail, with profitability guaranteed by (pseudo)contractual relationships with the public sector.

- Supermarkets – large supermarket chains, which have been permitted to dominate every locality, benefit from near-compulsory household spending across a wide range of goods; most obviously, this enables them to control food production.

The manifesto asks:

“[I]s it possible to replumb the supply chains and re-wire the financial circuits of the foundational economy to prevent further deterioration in the composition of employment and create good quality jobs in volume? It is possible to re-create the foundational as a path to economic and environmental sustainability and quality of life rather than a habitat for extractive corporates?”

The answer, for CRESC, lies in the concept of ‘franchising’. Foundational economy business models can be understood as franchises insofar as the permissibility of specific routes to profitability are determined by public sector procurement and a complex regulatory architecture.

So, our task is to socialise the franchise by treating communities – the workers, consumers and ultimately financiers of the foundational economy – as the key stakeholders. Essentially, decisions around procurement, planning and subsidies can include conditions around building and utilising local supply chains, ensuring universal coverage of services, employment conditions, environmental impact, etc. The services in question are likely to always remain labour-intense, and are unlikely to drive productivity growth – industrial policy must not compel them to pursue profitability, an objective which invariably compels the extraction of value from the public realm.

We might also think about using tax measures that reduce the cost of creating higher quality jobs in local economy, or stimulate investment by disincentivising excess profits. Clearly, the institutional mechanisms by which procurement, regulation and tax policy can conform to the needs of the foundational economy largely exist already – in the NHS, local government, utility regulators, bodies such as the Food Standards Agency, etc. The vital shift required is ensuring that the new approach is embedded across multiple institutional spheres.

4. Gender-centred industrial policy

Women are over-represented among many of the industries relevant to the foundational economy and soft infrastructure, and so greater investment in or regulation of these areas is likely to benefit women disproportionately. It is vital, however, that enabling more women to contribute to the economy becomes a central principle of industrial policy, rather than simply a by-product.

Despite much effort by the New Labour government, the gender pay gap remains depressingly large. The median female employee has an hourly rate of pay around 80 per cent of the male hourly rate. The gap is narrowest towards the bottom of the income distribution – but women are more likely to be in low-paid self-employment, as well as to be on zero-hours contracts.¹³ It is perhaps the fact, however, that the pay gap is widest at the top of the income distribution that underlines the wastefulness of the UK’s gender-biased labour market. The absence of women from the best-paid jobs – which contribute more to productivity, as conventionally understood – represents a human capital resource which is being significantly under-utilised. The May government has focused on increasing transparency about the gender pay gap at firm level.

Explicit discrimination is part of the explanation here, but so too are the implications of motherhood. The career breaks associated with starting a family can be incredibly disruptive for mothers' careers, and more than 90 per cent of single parents are women. There have of course been moves recently to increase financial support for childcare, and enable parental leave to be shared with fathers. Yet it is difficult to see initiatives on this scale having a transformative impact on women's career prospects. At the very least, we need a sea-change in childcare provision – significantly increasing quality and reducing cost. There is scope also to significantly strengthen maternity-related employment protections.

Regulating to improve the quality of childcare will have the additional impact of increasing earnings and job quality in an industry overwhelmingly populated by female employees. This is an agenda which should be pursued more generally. Improving the productivity of social care, for instance, will be vital in an ageing society; it will also create better quality jobs for women.¹⁴

It would be impossible to police gender relations within every single company, but government can drive change through its procurement practices. It can also use the leverage of large-scale investments in R&D, and sector-specific investments, to encourage gender equality within strategically important industries. In essence, policies to address gender inequality have to be brought firmly into the industrial policy arena. Rather than the ministerial responsibility for gender equality being tagged onto other ministerial portfolios in an ad hoc manner, for instance, it should represent a dedicated, cabinet-level role within BEIS.

Developmental dilemmas

When industrial policy is conceived as a comprehensive, government-wide agenda, a fundamental dilemma arises: is everything 'economic'? Are there not still public policy goals that should be pursued irrespective of their relation to their contribution to the economy? Arguably, the reduction of all social goods to their (marketised) economic value is one of the hallmarks of neoliberalism. And the health of institutions, such as universities – which play an inimitable, multifaceted role in industrial policy – is being jeopardised by this creeping neoliberalisation.

A progressive approach to industrial policy turns this dilemma on its head. All parts of public policy and public spending should be determined with reference to the industrial policy framework, but only insofar as the strategic ambitions of industrial policy are defined by the social ends, not economic means. Returning to the above example: universities contribute to our economy by being universities, not by fixating on short-term commercial returns. We need to make the economy work, but work for us. Beyond this, there are a series of second-order dilemmas which will require attention as industrial policy in the UK continues to develop.

Firstly, should we prioritise productivity or jobs growth? The UK has a major productivity problem, but the notion that economic policy should be focused predominantly on productivity is self-defeating. It tends to lead to an incredibly narrow industrial policy agenda prioritising only firm-level or individual-level improvements – in the hands of the Cameron majority government a 'productivity plan' meant eschewing interventionism in favour of deregulation and welfare retrenchment. Policy elites obsess over 'the long tail' of small, unproductive firms, but such distributions are normal in service-based capitalist economies. In the UK, the productivity slowdown is actually situated within the largest firms, who are normally more productive than they

have been in recent years.¹⁵ The financialisation of corporate practice has disincentivised investment in innovation.¹⁶

Many would argue, moreover, that the UK's recent productivity stagnation has been a price worth paying for jobs growth. Higher productivity resulting, for instance, from manufacturing automation would reduce the volume of jobs in the economy, and therefore well-being. This fallacious logic has been used to mask the 'hollowing out' of the labour market and proliferation of crap jobs. The left has sought to challenge this trend in relation to low-value services, but is not immune from a misguided fixation on jobs growth. Trade union support for infrastructure projects such as HS2 and Heathrow expansion is motivated by job creation, even though the prioritisation of these initiatives over addressing wider infrastructural dilapidation will reinforce the UK's centralised growth model. And Labour's new 'Build It in Britain' agenda, which promises to 'reshore' manufacturing industries, is not a route to the creation of high-quality jobs, but rather low-value industrial activities, which ironically are at the greatest risk of automation.¹⁷

There is no simple answer to the tension between productivity and jobs. Creating good jobs which genuinely enhance the UK's productive capacity will involve innumerable trade-offs by policy-makers. This is why it is vital that decisions are guided by the correct principles and wider, strategic objectives (and, as discussed below, better data).

Secondly, should industrial policy be framed by 'missions'? Mission-oriented industrial policy potentially offers one way out of the first dilemma, since the right intervention will be the one that best advances the established mission (higher productivity and more jobs would both, ideally, be by-products, to varying degrees). On the other hand, invoking missions perhaps simply ducks the need to consider the real-world implications of industrial policy (non)interventions for people and communities, in favour of abstract technology-related ambitions. Currently Labour policy has arguably fallen into this trap, particularly in relation its R&D spending target of 3 per cent of GDP by 2030 (almost double the current rate, and significantly above the OECD average). This is entirely unachievable, and pursuing it might mean diverting resources from more critically important areas (especially those which might create jobs).

The Industrial Strategy Commission adopted a variation on a mission-based approach by outlining a series of 'strategic economic goals', which included social as well as economic goods. Clearly, however, goals such as decarbonisation and developing a sustainable care system can be understood as mission-oriented. There is a strong case for the adoption of such cross-governmental missions, especially insofar as they act (by design) to disrupt established institutional silos. Yet the May government's appropriation of a mission-oriented industrial policy, in the form of its 'grand challenges' leans towards technological fetishism.

Thirdly, will devolution make a national strategy undeliverable? In a way, yes; but that is not necessarily a bad thing. The much stronger continental industrial policy tradition is managed via a much more decentralised policy-making framework. And if the foundational as well as high-value economy is to become a focus for industrial policy, more robust forms of local economic governance are paramount. Of course, there is a risk that devolution in its current form would be a barrier to industrial policy for a progressive government, since its flawed logic appears to be pushing localities down a low-tax, deregulatory path, overly dependent on overseas investment, and disincentivising co-operation across localities.

Finally, will Brexit enable a more interventionist industrial policy? In a word, no. The notion that ‘state aid’ rules represent a barrier to industrial policy, even radical initiatives such as public investment banks, is nonsensical.¹⁸ Brexit will decimate what is left of the UK’s manufacturing capacity by severing links to transnational production networks. The complacency on some parts of the left about free trade arrangements is misguided and anachronistic. While concerns about the EU’s own trade agenda in relation to deals with the United States, Canada and Japan are justified, economic activity *within* the single market is highly integrated, on the basis of regulatory harmonisation, and there is simply no path to reintegrating the UK into this system (and achieving ‘the exact same benefits’) that does not involve membership. Brexit could leave Labour’s plans for a new industrial policy, however they develop from this point on, ‘dead on arrival’.¹⁹

The first 100 days

Even if a general election were to be called in the very near future, and even if it were deemed desirable, it would not be possible to tear up the May government’s fledgling industrial strategy, at least not without putting a lot of valuable R&D activity, and some high-value jobs, in jeopardy. Indeed, one of the most important tasks for a new government will be addressing some of the drift now evident in coalition era initiatives such as catapult centres. We cannot afford to lose any institutional capacity until such initiatives have been genuinely evaluated.

A more ambitious, progressive industrial policy agenda will take much longer to construct. It goes without saying that Brexit will be at the top of the to-do (or not-to-do) list, if there remains any scope for an alternative approach. One of the earliest priorities should also be agreeing new metrics for the appraisal of economic success – supplementing rather than replacing GDP, productivity and employment measures, and developing metrics related to specific strategic goals. This effort must also be accompanied by the creation of much more detailed data sets on industrial composition and performance, especially in local areas.

A new government can also move swiftly to remake the institutional order through which industrial policy is devised, at least in terms of political institutions. It would be highly likely to encounter resistance within the Treasury, but fears about ‘deep state’ forces underplay the extent to which elected government can, in time, shape the personnel and culture of Whitehall departments – it is simply that, in the case of the Treasury, most Chancellors choose not to.

That said, the Treasury is packed with dedicated and intelligent officials. One of the reasons the Treasury tends to resist industrial policy interventionism is the cost of vertical initiatives – but a new approach based on regulating rather than stimulating economic development, and shaping the circuits of private capital as well as providing public finance, will mitigate its objections. The Treasury also tends to fear being usurped in economic policy-making by the business or industry department of the day. It makes sense in terms of policy to build a new industrial policy from within the Treasury, so that it is owned by the key seat of Whitehall power, but it would be politically sage too. By reforming the Treasury in the process – establishing new industrial policy capacity, overseen by representatives of all relevant departments and local government – the next government will not only have an immediate impact on economic policy, but one which have a lasting significance on the character of economic statecraft in the UK.

There will likely be some resistance from other relevant bodies, particularly those outside direct government control, who have become accustomed to a neoliberal policy framework. A greater threat to progressive industrial policy in the long term, however, will come from the governance of any new institutions that a radical government establishes, such as new finance institutions and regulators for the foundational economy. However well-intentioned their objectives, the risk of supplementing one policy elite with another is high. Genuinely involving both parliament and local authorities in governance processes will be a vital bulwark against conservatism and cronyism, and a clear signal that industrial policy is designed to empower ordinary citizens.

The structure of local government in the UK is of course a long way from being settled. It is not possible or advisable for central government to dictate exactly how local and regional authorities should be configured in every area, other than to say that, for the most part, current configurations are dysfunctional. Local policy elites are vital to the successful delivery of industrial policy, but local government has more perches than powers, so there may be multiple sources of discord insofar as a new government seeks to question existing institutions. Again, reform must be motivated by democracy. Simply seeking to replace one technocratic approach with another is a recipe for wasteful conflicts. But reforms which seek to build capacity while empowering local citizens have a greater chance of succeeding.

As argued in the previous section, the idea of reforming pensions saving to ensure a greater supply of capital for (local) productive activity probably avoids the funding and governance dilemmas which problematise proposals for a national investment bank or citizens' wealth funds. But since some of the proposed mechanism would (partially) replace, rather than simply supplement, existing financial industry, there is likely to be opposition from the private pensions industry. This can be mitigated by designing policies which disrupt existing investment practice only marginally in the short term – reorienting only a slither of savings being accumulated could have a transformative impact in terms of industrial development. Moreover, since pensions capital is, ultimately, workers' capital – this is one of the benefits of focusing on pensions provision to democratise finance – it will be important to ensure scheme members are supportive of, and help to co-produce, any institutional changes.

Getting there

The vision of industrial policy outlined here is unlikely to succeed without fresh thinking on three core dimensions. There are few international precedents on how these challenges might be met – they speak directly to peculiarities of the UK's economic malaise. Firstly, we need a new vision for transnational political and economic integration after Brexit, central to which will be a partnership with the continuing EU. Secondly, we need to develop a much more detailed picture of the UK's layered economy, particularly how the layers interact within particular localities. Thirdly, we need to consider how best to combine strategic leadership by the state with the imperative to thoroughly democratise economic governance in the UK.

The political movement required to tackle these challenges is easy to imagine, but we must be clear that it has yet to materialise. There is an inherent affinity between progressive politics and industrial policy, since both are motivated ostensibly by the objective of managing capitalism in service of collective or public goods. This is an impossible job, since capitalism invariably overcomes political constraints; the notion that there is a single way to permanently shackle capitalism, or a single

political cadre suitable to the task, is a dangerous delusion. But it is also an indispensable function of collectivist political movements.

The capitalist dynamics confronting the left now are new and, in global terms, rapidly evolving. We cannot rest upon a vision of industrial policy whereby we create good jobs by simply boosting manufacturing industries. This does not mean that (advanced) manufacturing is not essential to the UK's economic prospects. But just as manufacturing companies are increasingly finding value by offering services, we also need to think about how to make the everyday practice of manufacturing (rather than simply the sector) central to our largely service-based economy, by supporting wherever possible the integration of craft production, growing and cultivation, and the dissemination of engineering expertise into service sector occupations.

In general, the progressive movement needs to greatly increase its links to four distinct (but overlapping) political forces, in order to build the movement necessary to win power, but also a sustainable governing project with progressive industrial policy at its heart:

- The working class, particularly young, precarious workers who have largely forgone the trade union movement. The Labour Party's support among the working class is now perilously low, yet there are few signs that the party has a coherent plan for reversing this trend.²⁰
- Local and devolved government leaders: the national industrial policy agenda must be co-produced above all with local authorities and mayoral offices. Amplifying the voice of the local at the centre is essential for policy effectiveness, but also for building an enduring agenda.
- Some of the most innovative and radical thinking about industrial policy in the UK emanates from the green movement. Given that addressing climate change will be perhaps the defining economic challenge of the foreseeable future, progressives can benefit from a genuine partnership with the green movement.
- There remains an uneasy truce between the current Labour leadership and feminist campaigners, brokered by mutual opposition to austerity. Devising industrial policy interventions alongside those focused on the burden of care (paid and unpaid) on women, or the implications of motherhood on women's career prospects offers the prospect of a more productive partnership.

This would represent a coalition animated by a far wider array of issues than industrial policy. But that, precisely, is the point: a progressive and sustainable industrial policy agenda can only succeed if it is based upon a comprehensive and sophisticated understand of the infinite number of ways in which economy and society interact, and encompasses initiatives designed explicitly to improve economic performance by enhancing individual and social capabilities across all spheres.

Endnotes

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Financial Globalisation and Capital Mobility: What Can be Done?

by Ann Pettifor¹

For much of modern history, capital mobility has been a major cause of international financial instability. Since 1810, the only period of financial stability (the so-called ‘golden age’ between 1945-71) was a period during which capital mobility was deliberately constrained by the policies of the Bretton Woods system, largely devised by John Maynard Keynes². However, the system was to be destroyed in 1971, after the US had built up huge Vietnam war debts. President Nixon hoped to avoid paying those debts in gold by unilaterally dismantling the Bretton Woods System of managed finance.³ Since then capital mobility has intensified and financial crises have multiplied. These crises were most painful in poor countries on the margins of the global economy, but financial crises gradually moved towards the core when the United States and Europe in 2007-9 were struck down by the gravest financial crisis in history. As a result of capital mobility and the financial crises it causes, whole continents have endured ‘lost decades’ of development.

Capital mobility was, and is, a powerful tool for capitalists, as it allows actors in capital markets to move money quickly to where the highest capital gains can be made, regardless of the impact of those movements. In addition, it allows the unaccountable and invisible actors in capital markets to influence and even fix the value of a country’s currency (by marking it up or down); to affect a country’s interest rates; and to avoid paying taxes. Mobile capital can exploit and make massive gains from both small and large movements in the value of the bonds, currencies or interest rates of different nations, and create instability from gains and/or losses in these speculative activities. Mobile capitalists can borrow cheap in one nation and lend profitably at a much higher rate to another poorer nation. Investors in capital markets can use the threat of capital flight to constrain democratic governments from adopting fiscal policies aimed at full, skilled and well-paid employment. Transnational corporations use the mobility of capital to engage in what is known as abusive transfer pricing – shifting profits from, for example, a higher-tax to a lower-tax jurisdiction. The scale of those profits eclipses the sums exposed in the Panama and Paradise Papers.

Billionaire oligarchs and corrupt officials and politicians resident in weak economies are eager to shift their often fraudulent gains away from the tax authorities at home and into ‘tax haven’ jurisdictions like that of Britain’s or Ireland’s, where the law can be used to uphold and enforce contracts. Drug dealers and criminals are particularly fond of capital mobility. As Professor Robert Skidelsky puts it, “Capital mobility has” – amongst other flaws – “a tolerance for criminality.”⁴ Unregulated cross-border flows enable drug cartels to shift their illicit gains secretly across borders, untouched by customs authorities. On the most recent reckoning, the global value of the heroin market is estimated to be \$61 billion, and the cocaine market \$85 billion.⁵ Our experience of the rapid growth in drug dealing in the villages, towns and cities of Britain suggests that these numbers,

compiled by the United Nations, may be a vast underestimate. They do not of course include the public health costs of this hugely profitable trade. They also do not include the associated costs when profits from drug trafficking are used to finance terrorism and insurgencies.

Capital mobility is therefore an important economic lever that today's governments are content should be managed by private financial interests. As a result, and thanks to governmental permissiveness, the owners of mobile capital operate beyond borders within a system that is effectively lawless – beyond the reach of regulatory democracy – thereby undermining democracy.

This lawless system is not 'natural'. It did not fall from the sky one bright day or evolve over many centuries and, like an asteroid, lodge itself within economies. It is a system carefully constructed and advanced by twentieth century economists as a way of constraining democratic governments from managing exchange rates, interest rate policies and capital flows; and doing so in the interests of the domestic economy. As Quinn Slobodian explains in his new book, neoliberals of the Geneva School were the intellectual architects of a series of institutions that were deliberately "designed to inoculate capitalism against the threat of democracy....to encase the global market from interference by national governments."⁶ In 1979 Friedrich Hayek described the development of this theory as "the dethronement of politics" but as Slobodian argues, "it is just as obviously the dethronement of the nation."

Capital mobility and the system that upholds it is a real and lasting threat to democracy and to social, political and economic stability. As Karl Polanyi explained in *The Great Transformation*, global, self-regulating markets in money, trade and labour were at the root of the rise of fascism in the 1930s, as people appealed to 'strong men' to protect them from the annihilating impact of deregulated market forces.⁷ Today's so-called "populisms" – the rise of nationalisms and authoritarianism – are a reaction to the failure of democratically elected politicians (particularly social democrats) to challenge financial globalisation. On the contrary, in most cases social democratic politicians embraced the system enthusiastically. This is certainly the case in Britain, where currently voters are split between right and left-wing politicians opposed to globalisation. In many countries, citizens are giving up on their weakened democratic institutions, and turning to 'strong men' like Donald Trump or Victor Orban or Vladimir Putin – in the vain hope they will protect citizens from self-adjusting markets in money, trade and labour.

A vision for change

For the past thirty years, a time of increasingly frequent and grave financial crises, discussion and debate over how to manage the cross-border movement of capital has been considered taboo. That is changing, slowly. Capital controls are now actively discussed and have been re-designated as 'capital flows management' by the IMF, even though the debate is limited to controls on inward flows. Discussion around controls over outward flows – illicit capital flight that makes it so easy for corporations and corrupt elites to export both their legitimate and illicit gains – is still taboo.

The Western public tends to go along with capital mobility, or believes that capital mobility is inevitable and unchangeable. Capital mobility has benefits for globe-trotting citizens. It makes international travel easier; enables some to buy second homes abroad; and to use credit and bank cards anywhere in the world. Small business entrepreneurs can expand their businesses to global

markets and increase their profits, and big business can create long supply chains that exploit both the ecological and human assets of far-away and often impoverished countries. These supply chains have allowed western and other consumers to gorge on cheap goods and food all year round.

So with a few notable exceptions, democratic societies have not questioned the system, but instead have focused on immigrants, job losses and the European Union, which is but one unit in the globalised financial system. Most have bought into capital mobility as inevitable, essential to the global economy as presently constructed. Every so often the costs of the system, and the truth of who gains from the global financial architecture, is laid bare. The 2007-9 Great Financial Crisis was one such event; and the exposure of the Paradise Papers another.

This defeatist acceptance of, or blind spot for financial globalisation is unfortunate, because it is ordinary taxpayers that pay the huge cost of financial crises, even while they are not responsible for these crises. The burden of losses due to capital mobility, tax evasion, cross-border drug-dealing and human-trafficking is borne by those who are active in the domestic economy and who diligently pay their taxes each month or each year. It is their taxes that are used by governments to prop up the public institutions (the central bank, the criminal justice, accounting and inland revenue institutions) that in turn, prop up and subsidise the global monetary and financial system.

Western societies with sound institutions provide these valuable public resources to private financial interests willingly and almost without question. The beneficiaries are big corporations like Amazon, Facebook, Uber and Airbnb; crooked oligarchs, drug dealers, criminals and foreign corrupt politicians and officials. It is surely time to question the unconditional generosity of this public largesse? For, if as societies we want to deal with climate change and finance the transformation of economies away from fossil fuels; if we want to thwart the rise of nationalisms and authoritarianism and restore autonomy to democratically elected governments; if as societies we want to tax the rich and dismantle tax havens; tackle poverty or drug abuse, fraud and rising inequality; above all if we want to avoid another global financial crisis – then it is vital that we radically transform the global financial system.

How can the system be transformed?

The primary objective of the financial system should be the stability and prosperity of the domestic economy – not the remote and unaccountable global financial stratosphere. A key principle should be that capital flows are governed in order to:

1. Manage Britain's sterling exchange rates so that importers and exporters can depend on stable rates.
2. Manage interest rates so that rates on loans across the spectrum of lending in the domestic economy are fixed at levels affordable by British entrepreneurs and investors, and not to serve the interests of remote, international investors and speculators.
3. Manage the creation of credit by both the traditional and shadow banking sectors, so that its issue is for productive, job-creating, income-generating investment in the domestic economy, not just speculative activity.

We do not have to re-invent the wheel. As Grace Blakely explains in her excellent report on *Finance and the UK Current Account*:

“capital controls can be direct (sometimes called ‘quantitative’) or indirect (qualitative). Direct capital controls generally take the form of specifying a certain amount of capital that is permitted to enter or leave the country at any one time, while indirect controls are often tax measures that serve to disincentivise the movement of capital out of the country”.⁸

Taxing capital flows does not mean that international transfers are made impossible. It just means that large, ‘hot’ flows are managed, slowed and aimed at productive, not speculative activity. The instruments are well known and many were widely used in the advanced economies during the 1960s and 1970s. As this goes to press, the New Zealand government has announced a ban on one particular cross-border financial flow: foreign money aimed at existing homes, not for the purpose of living in those homes, but for speculation and tax evasion. This flood of money helped inflate Auckland property prices to the highest in the world. It is hoped that the ban will cool property prices.

But is transformation possible?

Now without doubt, there are many powerful vested interests that will oppose the need to dismantle and reconstruct the current international financial architecture. They will argue – and many of us will agree – that transformation of the current system is impossible. They will argue, and many of us will accept, that ‘nothing can be done’. Instead, they will insist we should all just lie back, relax, and prepare for the next crisis of a globally interconnected financial system. And the best way to do that, they argue, is to a) cut public spending and squirrel away the “savings” for use in the next global private bank bailout, and b) increase interest rates – so that they may be cut when the crisis breaks out.

They will also argue that, thanks to advances in modern technology, it is impossible to change, never mind transform the globalised financial system. But that is defeatism. The use or management of technology is not the result of the churning of some robotic algorithm; it is the result of economic, political and social choices. If we choose to allow technology to dictate financial globalization, that is a deliberate choice. We can just as easily choose to ensure that technology be used to tame financial globalisation.

We should actively resist such defeatism. We have been here before. Defeatism is how Europeans and Americans viewed an earlier global financial system designed by banking interests, and based on capital mobility, which was the international ‘gold standard’ of the 1920s and 1930s. Most bankers, commentators and almost all economists were shocked by Britain’s decision to abandon the gold standard. “We didn’t know you could do that”, they said.

Yet, in 1931 Britain unilaterally bailed out of the then dominant gold standard system. To the surprise of most of the British establishment, the economy was not damaged by this decision. On the contrary, Britain began to prosper, and employment and wages went on to rise.

Britain’s decisiveness was followed in 1933 by President Roosevelt’s refusal to attend an international conference whose purpose was the reinstatement of the gold standard. His strong

rejection of the bankers' plan scuppered the gold standard system decisively and permanently. His leadership and courage in the face of a powerful banking sector, and at a time of great economic weakness, laid the ground for the development of a new global financial architecture: the Bretton Woods system. Under the leadership of John Maynard Keynes and President Roosevelt, the bankers' self-regulating international financial architecture – that had led to the 1929 financial crisis and the Great Depression – was publicly rejected. A more democratic and stable system was devised.

We must take heart from this. The fact is that the global financial system was transformed – overnight. We know how it was done, and we have the policy tools to ensure that it is transformed again.

Next steps

To bring about a transformation in the globalized financial system requires first that we abandon the defeatism that informs so much debate about the volatile global financial system. We must actively dispel the delusion that the 'system is set in concrete, and cannot change'.

Second, as taxpaying citizens, we must learn more about the system, and begin to think differently about our own power to bring about change. If we are to manage offshore capitalism, if we are to bring offshore capital back onshore, we need to understand our potential power to influence and demand 'terms and conditions' of the finance sector. We need to remind ourselves of the integration of public and private monetary systems; and of the dependence of the globalised private financial system on taxpayer-financed domestic institutions and assets. How should we use (or leverage, to use financial terminology) the powers we have?

We need to take an interest in, and educate ourselves both about money, monetary theory and the deregulated and ramshackle international financial architecture of footloose, cross-border capital flows. We need to understand not just the banking system, but also the shadow banking system. Believe me, none of this is rocket science. Economics is always and everywhere political – even while economists and financiers deliberately clothe their policies and actions in 'scientific' terminological gobbledegook. Have the confidence to break down those barriers.

With better and wider public understanding it will be possible to build public support for a change. I know that from direct experience. When we began the Jubilee 2000 campaign in 1994 to cancel hundreds of billions of dollars of debt owed by the poorest countries, we met a highly sceptical public, who believed most debtor nations were corrupt and incompetent and rich creditors were sound and trustworthy. The language of sovereign debt used by economists at the IMF and World Bank and by Treasury officials, was arcane and obscure. On a shoestring budget, the campaign then spent four years issuing short briefings on sovereign debt, explaining economic concepts and systems imaginatively by using visuals; providing evidence in straightforward terms; and mobilizing support for cancellation. It was not easy to transform public opinion which at the beginning of the campaign, regarded debtor nations as "sinners" in need of "forgiveness" by rich, powerful G8 creditors. By the year 2000, we had, through education and evidence-based communication, transformed public opinion and mobilized extraordinary support, worldwide. The result was the cancellation of about \$100 billion (in nominal terms) of debt owed by 35 of the poorest countries.

The third task is to pressure and mandate our elected politicians and central bank officials to understand and adopt policies for the management of both inflows and outflows of capital across borders.

The financial globalization project has been successful because its ideological backers framed capital mobility as a ‘freedom’. These ‘freedoms’ can be traced back in neoliberal economic thought. Neoliberal economists believe that by transforming markets in money, trade and labour into global markets, they are made more ‘competitive’, and can be trusted to cut the costs of capital, trade, services and labour. But neoliberals went further: they argued that capital mobility was a human right. According to Slobodian, Philip Cortney, an American neoliberal, “linked capital control to the (human) right to leave a country”.⁹ He argued that the Universal Declaration of Human Rights should have gone further by including “the right to free capital movement”.

Today ‘freedom’ remains a key theme of neoliberal economics. The European Union project was built on the ‘four freedoms’: the free movement of capital, trade and labour – and the ‘freedom’ to establish or provide services. They are striking for their contrast to President Roosevelt’s ‘four freedoms’ outlined in a speech in January, 1941 and which included:

“the freedom of speech and expression, the freedom to worship God in his (sic) own way; freedom from want and freedom from fear.”¹⁰

Freedom from want and freedom from fear are true ‘freedoms’. They should be fundamental to the economic goals and ‘social arrangements’ of a progressive, democratic government, accountable to its citizens, and exercising autonomy in economic decision making. Today, citizens in economies as diverse as that of the ‘rust belt’ of the United States, the northern towns of Britain, the neglected rural areas of Hungary and the impoverished towns of the Philippines – live in fear and in want. Their incomes are in decline, their jobs more insecure, homes are beyond their reach, and their children’s future is uncertain. They increasingly look to ‘strong men’ to protect them from the impact of volatile global markets in money, trade and labour.

To restore sound employment, social justice and stability to these economies we must, as Professor Dani Rodrik argues:

“... make some choices. Let me be clear about mine: democracy and national determination should trump hyper-globalization. Democracies have the right to protect their social arrangements, and when this right clashes with the requirements of the global economy, it is the latter that should give way.”¹¹

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Endnotes

¹ Ann Pettifor is the Director of PRIME (Policy Research in Macroeconomics), an Honorary Research Fellow at City University, and a Fellow of the New Economics Foundation. She is the author of *The Production of Money*, *The Real World Economic Outlook* and *The Coming First World Debt Crisis* and co-author of *The Green New Deal* and *The Economic Consequences of Mr Osborne*.

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Towards a People's Banking System

by Christine Berry¹

The UK has one of the most centralised and least diverse banking systems in the developed world – with a handful of large shareholder-owned banks controlling around 90% of the market.² The ‘Big Bang’ deregulation of the 1980s did not bring greater competition to the sector, but the opposite, as demutualised building societies and local banks were almost all swallowed up by conglomerates who became ‘too big to fail’. This makes us vulnerable to financial crises, since we are highly dependent on a small number of big banks with similar business models, who are therefore highly likely to run into problems at the same time.

And our system is not only a monoculture, but a monoculture of a particularly dangerous type. Over the last thirty years, the business models of large shareholder-owned banks have shifted radically, from mainly investing in the ‘real economy’ (e.g. small business lending) to mainly pumping up the price of assets in the ‘financial economy’ (e.g. mortgage lending and derivatives trading). The result is that since the mid-1980s the share of lending going to the real economy has been falling rapidly, and now represents less than 10% of total lending.³ This process has been turbo-charged by securitisation: the practice of packaging loans up and selling them on, which proved so toxic during the financial crisis.

All of this matters because banks control the lifeblood of our economy: the money supply. Banks don’t just take in customer deposits and lend them out, as is commonly assumed. Rather, when a bank makes a loan, it creates the corresponding deposit – in other words, new money – out of thin air.⁴ This means the shape of our banking system determines how much money is created, where it goes – and where it doesn’t.

As well as creating disastrous booms and busts, big banks’ lending practices – and an economic model built around the City of London – have helped make us one of the most regionally unequal economies in Europe.⁵ As banks increasingly exit from traditional relationship-based local lending, they are also exiting the high street: 762 branches closed in 2017 alone, with devastating consequences for small businesses and local communities.⁶ Research by Move Your Money has found a measurable decline in small business lending in communities affected by branch closures.⁷ Meanwhile, bank business models centred on short-term shareholder value are driving exploitation of customers and environmentally destructive lending on a mass scale.

The vision

If we want to address these problems, it will not be enough simply to regulate existing banks more heavily, or to rely on competition policy as the current government is doing. We need structural change – building a new banking system based on principles of democracy and diversity. This piece focuses on this big picture: how we can achieve structural change to reorient the banking system towards

serving people and planet. It does not delve into questions of detailed regulation to address specific examples of current bad practice, such as predatory behaviour towards small businesses or fossil fuel lending.

This means promoting a range of public, mutual and co-operative banking models at different scales, which put collective control in the hands of customers, frontline workers and local communities, and which are mandated to serve the public interest or local communities rather than simply to maximise returns. Known collectively as ‘stakeholder banks’, these can include public savings banks, building societies, co-operatives, credit unions and community development finance institutions (CDFIs).

In designing this system we do not have to start from scratch: we can learn from countries like Germany and Switzerland where such banks are the backbone of the economy. Evidence from these countries shows that stakeholder banks lend more to the real economy, serve customers better, keep more branches open and create more jobs – as well as being safer, less volatile and less likely to fail. Dispersing control through a larger number of smaller, more localised banks also disperses risk, reducing the likelihood of a major systemic collapse.⁸

It can also give us some pointers on how different types of stakeholder bank can support each other as part of a diverse ecosystem:

- **National investment banks (NIBs)**, like Germany’s KfW, can mobilise large amounts of capital and steer it towards public priorities. The scale of NIBs, and their institutional expertise, makes them powerful tools of economic transformation. They often work with others in the investment ecosystem to deliver this lending on the ground.
- **Regional banks**, such as the German Landesbanken, can act as a channel for regional investment as well as providing investment banking services to local retail banks.
- **Local stakeholder banks**, such as the German Sparkassen, Swiss cantonal banks or networks of co-operatives, credit unions and CDFIs, can provide retail banking services directly to customers – such as current and savings accounts, mortgages and small business loans. They are often a key conduit for NIBs’ lending.

If we want this new system to succeed we cannot build it in isolation: we will also need to break up the big banks to reduce their overwhelming market power, and change the way they are regulated to more fully address the systemic risks they pose and minimise their unfair advantages over local stakeholder banks.

Policies for a new banking system

1. A National Investment Bank

The UK is unusual among major advanced economies in not having a national investment bank (NIB) or similar institution providing the type of long-term, patient finance that the private sector does not (although the Scottish Government plans to launch a Scottish NIB in 2019⁹). While the traditional functions of NIBs in other countries have been in infrastructure investment and counter-cyclical

lending, in recent times they have taken on more active roles as key agents of industrial and innovation policy. In countries such as Germany and China, NIBs have taken centre stage in confronting the key social and environmental challenges of the 21st century, such as climate change¹⁰.

The institutional design of NIBs varies significantly between countries. Evidence from around the world indicates that NIBs that are ‘mission-oriented’, with investment activities guided by specific missions focused on overcoming key societal challenges, are more effective than those which are focused on static economic objectives such as promoting ‘growth’ or ‘competitiveness’¹¹. Missions should be closely aligned with industrial policy, creating a powerful synergy between policy and financing that can be coordinated to drive structural transformation. In the UK context, missions could focus on issues such as decarbonisation and greening the economy; regional rebalancing and place-making; and industrial democratisation¹².

An NIB is most effective when placed at the centre of the investment process, nurturing knowledge and expertise and coordinating other stakeholders in the investment ecosystem. In order to provide the bank with the flexibility required to fulfil a mission-oriented mandate, it is important that it has a wide range of instruments at its disposal, and is able to invest across a wide range of activities. In the UK, a new NIB could be most effectively structured around three ‘operational ‘arms’:

- **Enterprise:** Many UK firms struggle to access finance from banks, and are underserved compared with international firms that benefit from domestic industrial policy and state-led financial support. A new NIB could work with other banks to provide finance to firms and nurture new industrial landscapes that support the mission of the bank. Importantly, this does not simply mean subsidising failing industries or keeping struggling companies alive – it means investing to generate additionality (i.e. making things happen that otherwise would not). The NIB could promote industrial democratisation by offering tailored support to cooperatives and other forms of democratic enterprise, and helping traditional businesses transform their business models. It could also attach conditions to loans and other forms of financial support, such as reducing carbon footprints or complying with pay ratios.
- **Infrastructure:** Successive governments have underinvested in key strategic areas such as energy and transport, which has held back the UK’s economic potential. A new NIB could provide low-cost finance for infrastructure projects which align with the wider missions of the bank – ranging from energy and transport, to public utilities and new towns development.
- **Innovation:** Technological innovation is critical to overcoming the key challenges of the twenty-first century. However, investment in research and development in the UK has fallen over the past 30 years, and remains lower than most other major advanced economies. Because innovation is highly uncertain and has long lead times, it requires finance that is patient and long-term. Many great technological breakthroughs, such as the internet and microchips to biotechnology and nanotechnology, were only made possible by early stage public investment. This type of support is critically lacking in the UK. A new NIB could work closely with other actors in the innovation ecosystem – such as Innovate UK, universities, enterprise agencies and innovative firms – to provide long-term, patient finance to innovative projects in line with the

bank's missions. Where innovative breakthroughs do occur as a result of targeted NIB investments, the NIB should seek to capture some of the financial rewards over time, for example by holding equity in innovative companies or sharing ownership of intellectual property.

2. Turning RBS into a network of local banks

In 2008, RBS was bailed out by the taxpayer at a cost of £45bn, giving the government a 79% stake in the bank. In 2015, the New Economics Foundation published proposals to bring RBS wholly into public ownership and break it up into a network of 130 local banks, modelled on the German Sparkassen.¹³ The new banks would be owned in trust for the public benefit, would be mandated to lend only within their local area, and required to provide universal access to basic banking services. They would be limited to retail banking and would thus be based on RBS' existing retail network – the bank's global investment banking arm would be divested.

There have been significant developments since this proposal was published. In 2015, George Osborne began selling off the government's stake, despite the OBR projecting a loss of at least £20bn.¹⁴ When the bank's shares plummeted after Brexit and the projected losses mounted to £30bn, the sale was put on hold. Labour's 2017 Manifesto committed to "take a new approach" to RBS, and to consult on breaking it up into local banks.¹⁵ Since then, with RBS returning to profitability and the share price improving, the 2017 Budget announced that share sales would be recommenced, with the proceeds funding the expansion of Help To Buy. A 7.7% stake was sold in June 2018, crystallising losses of a further £2.1bn and reducing the government's total stake to 62.4%.¹⁶

More work is needed on the practicalities of reforming RBS, particularly given that the reduction in the government's stake increases the cost of acquiring the remaining shares to make the bank fully publicly-owned. In the meantime, pressure could be exerted to control the bank's behaviour more effectively while it remains majority publicly-owned – for example, halting its sweeping programme of branch closures and addressing its systematic mistreatment of small businesses. At present, the government holds its shares through an arms-length body, UKFI, and insists that it has no direct control over the bank – although in practice it can exercise pressure via UKFI if it so chooses.

3. Growing the community and co-operative banking sector

Measures will also be needed to grow the wider ecosystem of stakeholder banks, which is currently miniscule by international standards. In recent years there have been some initiatives to set up new local and co-operative banks (such as the Community Savings Bank Association and Hampshire Community Bank), but there are significant barriers to getting such banks off the ground, and progress to date has been slow. The credit union and CDFI sector also remains relatively marginal and has yet to find ways to scale up sustainably. Relatively little work has been done on precisely what policy measures could help, and this is a key area for further research and policy development. However, options could include:

- Helping to capitalise new stakeholder banks, for example via a National Investment Bank, investment by local authorities, or perhaps a National Infrastructure Fund. Building a sufficient capital base is one of the main hurdles facing those trying to set up new banks, and public bodies have unique potential to act as ‘first movers’, pledging initial capital which can then give confidence to other potential investors.
- Establishing a new Post Bank, owned by the Post Office and providing a full range of banking services in every community, as has been proposed by the Communication Workers Union (CWU).¹⁷ Post Banks have been successful at providing banking services to small firms and financially excluded communities in many other countries, most notably in France with La Banque Postale and in Italy with Poste Italiane.
- Reforming the regulatory process to make it easier for such banks to get a banking license – for example, by establishing a new ‘Diversity Hub’ within the Financial Conduct Authority (FCA) specifically geared towards encouraging more diverse entrants to the banking system and helping innovators to navigate the process. The FCA already has programmes to support new entrants, but it does this through a pure competition lens and without regard to the desirability of cultivating new ownership and business models. Indeed, ‘beyond profit’ innovators often report that regulators are suspicious of their business models and are inclined to weigh the risks but not the social benefits.
- Giving the Bank of England, Prudential Regulation Authority and FCA a mandate to promote diversity in the banking system, and reforming the regulatory framework to level the playing field for stakeholder banks. For example, capital requirements are highly complex and calibrated to the business models of big shareholder banks: this can disadvantage small stakeholder banks, whether because small local banks are regarded by regulators as more risky, because the type of loans they make may require more capital to be held against them, or simply because of the sheer burden of compliance.

4. Full separation of retail from investment banking

Resurrecting the separation between retail and investment banking has been mooted since the crisis as one way of reducing systemic risk. The idea is that retail banks would be able to focus properly on serving customers, insulated from risky global investment banking activity. At a system level, this would reduce the interconnectedness of the UK’s basic banking infrastructure with the vagaries of global financial markets, minimising the likelihood of a systemic shock ‘cascading’ around the system

After the crisis, banks successfully lobbied against the imposition of a hard separation between their retail and investment arms – which would have required them to split themselves up into totally separate business entities (with the positive side effect of reducing the concentrated market power of the Big Five). Instead, the Independent Commission on Banking (often referred to as the ‘Vickers Commission’) proposed a ‘ring-fence’ between retail and investment banking, whereby banks would be responsible for setting up internal firewalls between the activities of retail and investment banking subsidiaries.¹⁸ The problem is that this approach relies on a raft of detailed regulations rather than a

simple and clean split (the original Glass-Steagall Act, which implemented full separation in the US, only ran to 37 pages).¹⁹ These regulations were gradually watered down by bank lobbying over a period of years, long after public pressure to break up the banks had waned. For example, banks are now permitted to cross-lend and cross-subsidise between their retail and investment arms – defeating the very purpose of the reforms, which was to end the web of financial linkages between the two types of activity.²⁰

Labour's 2017 manifesto commits to “a firm ring-fence between investment and retail banking that will protect consumers”. However, it is unclear whether this means strengthening the existing ring-fencing regime, or reviving full separation. The experience of the Vickers Reforms to date suggests that the latter must be the preferred policy option. Anything less risks leaving big banks' business models intact, along with their outsized economic and political power – leaving the back door open for regulations to be weakened again in the future.

5. Reforming taxation and the regulatory framework

The programme outlined above will most likely need to be accompanied by a wider overhaul of the regulatory regime if it is to be successful. Again, this is an area where more work is needed. It is beyond the scope of this piece to discuss wider issues of monetary policy (for instance, the independence and mandate of the Bank of England, as discussed in Graham Turner's report for the Labour Party²¹). However, the Bank of England's Financial Policy Committee (working with the Prudential Regulation Authority) has specific responsibilities for financial stability which do fall within the scope of inquiry here. Potential areas for reform include:

- Altering the regulators' mandate and processes to move beyond the pure competition mindset and explicitly prioritise the outcomes we want the financial system to achieve²² – alongside diversity and alternative ownership models as the new means of achieving those outcomes (as discussed in (3) above).
- New mandates and metrics for prudential regulation to ensure that regulators are giving enough attention to the drivers of systemic risk (including financial system drivers such as interconnectedness, financial system size and the composition of lending, and wider economic drivers such as over-indebtedness and inequality).
- Stricter regulation of risky activities and ‘financial WMDs’, such as securitisation and derivatives trading (ideally this would need to be done at an international level to avoid regulatory arbitrage).
- A new Financial Transactions Tax (FTT) to reduce speculation and risky financial activity, as has long been proposed by the Robin Hood Tax campaign. A recent report by Professor Avinash Persaud estimated that ending the intermediary exemption from Stamp Duty on share transactions, and expanding the tax to derivatives and non-government bonds, would raise an additional £4.7bn of tax revenue per year.²³

- ‘Credit guidance’ – more active intervention by the Bank of England to direct lending towards socially useful productive activity and limit credit creation for activities that contribute to asset price inflation, such as mortgage lending, and for lending to other banks and financial institutions.
- Senior personnel changes at the regulators to signal a more muscular approach to bank regulation (conversely, the removal of Martin Wheatley as head of the FCA was widely seen as a sign from George Osborne of a shift back towards ‘light-touch’ regulation.²⁴

It’s worth noting that Brexit is a complicating factor here, since much of the relevant regulation is made at European level. However, it is likely that we would remain part of this international framework under all but the hardest Brexit scenario. This means that not all of the changes above could be made unilaterally; some would need to be lobbied for in future Basel Agreements.

Tensions and debates

There is some confusion and disagreement about **what exactly makes stakeholder banks so beneficial**. Some, like John Kay, argue that it’s the fact they are limited to traditional retail banking rather than anything to do with their ownership and governance model. Some would point to the public interest mandate and local, participatory governance, while others say this is a risk to be managed (pointing to the history of political interference in the Spanish *cajas*). Still others would argue that the bounded geographical focus (for example, the Sparkassen can only lend within their local area) is the key feature.

There are also differing views about how best to build a new stakeholder banking system in practice. One key question is **the scale such banks need** in order to be viable. For example, the Community Savings Bank Association is essentially based on a regional model (in other words, one bank per region, including one each for Scotland, Wales and the North East). This is because their analysis suggests that this is the minimum scale for a bank to be viable. Others are interested in setting up banks at much smaller scales to serve local communities (an example might be Hampshire Community Bank). It’s important to note here the distinction between an *independent bank* and a *branch*: CSBA’s regional banks would still support a network of local branches.

Related to this, it is questionable whether individual stand-alone banks can really replicate the success of their continental cousins, which tend to rely on their **participation in networks** in order to pool risks and resources.²⁵ There is a risk that focussing on bottom-up efforts to set up individual banks, as well as replicating costs and effort, results in banks which cannot survive on their own and discredit the idea of local banking. The CSBA model is designed in part to overcome this problem.

There is also some debate about **whether RBS is really the best foundation** for a new local public banking sector, given the extent of its corrupt culture, ongoing legacy issues such as expected fines for past misdemeanours, and toxic assets remaining on its balance sheet. On the other hand, building a brand-new public alternative on the scale of RBS, and building up its market share from zero, would be extremely costly and challenging. Since we already own one of the UK’s biggest banks, the argument goes, we should at least try and turn it to better ends.

But there is also a deeper question about whether by looking to the German and Swiss models, we are seeking to **rebuild a system that is already coming under strain**. For example, there is some anecdotal evidence that many Sparkassen are struggling to make their business models work in the prolonged low-interest-rate environment; and that they are seen by many young people as old-fashioned and failing to keep up with developments in online banking. We need to understand these developments fully if we are to build a new stakeholder banking system that can survive and thrive into the future.

Related to this, we need to remember that stakeholder banks do not exist in a vacuum and are **not immune from global markets**. Although the Sparkassen weathered the financial crisis well, the Landesbanken did not – and this was at least partly because they ended up as the buyers of toxic mortgage-backed securities originated by banks like Goldman Sachs. If we focus solely on building domestic institutions without attending to the need to regulate global financial markets, we are only solving half the problem.

Finally, the **rise of fintech** creates new issues which are as yet poorly understood. For example, the rise of robo-advice and algorithmic decision-making on loans threatens to cement, once and for all, the death of human-centred relationship banking, as well as exacerbating the risks and biases of the current system. At the same time, advances in technology threaten to leave behind the few existing stakeholder banks that do exist, and it will be essential that any new ones keep up with this if they are to compete.

From here to there: strategy and implementation

The outlines of a radical agenda for banking reform are emerging – but there is a need for more thinking about how the pieces fit together. For example, how do proposals for a National Investment Bank, regional banks, a network of local banks, or a ‘Post Bank’ interact with and support each other? What types of lending would each of these institutions engage in and how would they complement each other’s business models? Where there may be competition between new entities competing in the same space, is this a problem or a virtue?

Greater clarity on these questions will help us to devise a phased plan for banking reform which identifies the critical paths and the order in which change must happen. For example, we might conclude that a National Investment Bank which plans to operate via ‘on-lending’ through other banks cannot be effective if it relies on the existing big banks, since their business models are simply too flawed: in this case, we would need to have a network of stakeholder banks up and running in order for this policy to be successful. Likewise, we might conclude that efforts to support new banks are bound to fail until the enormous market power and ‘too-big-to-fail’ privileges enjoyed by incumbent banks are addressed – which would make breaking up the banks a top priority.

Thought needs to be given to these questions, because the sustainability of new banks’ business models and the flow of finance to infrastructure and businesses may well depend on them. Complementary business models need to be introduced and scaled up in lockstep to avoid imbalances

developing in the system (e.g. a flood of deposits to new banks without adequate lending opportunities to match, or vice versa).

Of course, Brexit creates an additional level of uncertainty for any attempts to plan for a transformation of the banking system. A ‘soft Brexit’ could leave the UK’s banking landscape substantially unchanged, but a ‘hard Brexit’ would likely result in many banks locating at least some of their operations overseas.²⁶ In the long run, and under a progressive government, this could present an opportunity to refocus our banking system on serving the domestic economy. But in the short term, and especially under the current government, it poses a serious risk of a new ‘race to the bottom’ on tax and regulation. On the one hand, cities like Frankfurt and Paris will be competing to attract banks’ headquarters, and there is already evidence of this dynamic at work.²⁷ On the other hand, the likes of Theresa May and Liam Fox will need little persuasion to turn the UK into the tax haven of Europe in an effort to attract new, even riskier and less scrupulous financial institutions, such as hedge funds and other shadow banks.

We also need to be developing the technical expertise and ‘soft skills’ needed to actually make this system a reality. One of the consequences of the last three decades of financialisation is that the skills to do local relationship-based banking are now in short supply: many of those who built their careers on this model of banking are close to retirement and their skills are not being passed on. Likewise, if the creation of new National Investment Banks relies on expertise from existing private sector financial institutions – rather than, say, from public investment banks in other countries – they risk replicating the defects of the current system and failing to fulfil their potential. This means that programmes of knowledge exchange with other countries and skills development within the stakeholder banking movement will be critical to its success.

Finally, and perhaps most obviously, much thought needs to be given to the balance of forces in society that would make this ambitious programme politically possible. The City of London is one of the most powerful engines for wealth extraction the world has ever seen, with political clout to match. It is undoubtedly true that any effort to reduce our reliance on the banking sector could trigger economic disruption in the short term unless well managed. And it is certain that the banking lobby will work hard to portray any attack on its privileges as an attack on the UK economy.

This means that momentum needs to be on the side of any radical government seeking to implement this agenda. In the absence of another financial crisis, this momentum may not be easy to rebuild: in normal economic times, financial reform seems like a remote priority for most people. However, there is the potential to build cross-class alliances among those most hurt by our dysfunctional banking system, from communities hit by branch closures to small business owners whose livelihoods have been destroyed by RBS’ Global Restructuring Group. Finding ways to mobilise and empower these groups, and particularly driving a clear wedge between the interests of small businesses and the interests of big banks, may well be critical to our ability to take on the City and win.

Next steps

A strong movement of opposition to the firesale of RBS, both at grassroots and political level, will be needed if the option of reforming the bank is even to remain on the table. It is entirely possible that the government could reduce its stake to below 50% before the next election if nothing is done to delay the sell-off.

In addition, more research is needed on the factors driving the success of more diverse, stakeholder-dominated banking systems – as well as the headwinds facing those systems today and their implications for efforts to rebuild such institutions in the UK. More work is also needed to flesh out a policy agenda for regulatory reform – both to rein in the worst excesses of the big banks and to reorient regulation towards promoting our vision for a better system. Action could be accelerated at regional and local authority level to incubate new public or stakeholder banks – as has been discussed in places like Scotland, Preston, Bristol and Manchester.

Finally, with the loss of Move Your Money, the UK now has no organisations solely focussed on banking reform, and the ecosystem of organisations working on this is extremely weak. There is therefore a strong case for establishing new, dedicated civil society organisations to champion these causes.

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¹ Christine Berry is a freelance researcher and writer based in Manchester. She is a Fellow of the Next System Project, Co-Chair of Trustees of Rethinking Economics, a Trustee of the Finance Innovation Lab and a commissioning editor of Renewal. Previously she was Principal Director of Policy and Government at the New Economics Foundation, where she specialised in banking reform.

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Curbing the Debt Economy

by Dr. Johnna Montgomerie¹

The debt economy is an overlapping set of dependencies on debt – of financial institutions (as a major profit centre), of households (to sustain their standard of living), and of governments (to expand economic activity). What makes households a central pillar of debt-led growth is their monthly remittance of present-day income into global financial markets, either as payments on debts (mortgages and consumer loans) or as income claims on debt securities. From this constellation of forces, debt has become a panacea for governments seeking to expand employment and investment; financial institutions seeking capital gains; and the wealthiest segment of households with significant financial assets. However, at the same time, debt has become a poison pill for an ever-growing number of households by destroying their financial security because, as incomes have stagnated, the burden of debt has become more onerous.

In the post-crisis period since 2008, unconventional monetary policy and austerity actively prevented any systemic reforms of the UK economy to end its chronic dependence on debt. Instead, debt dependence became a strategic silence – everyone knows household debt is a major cause of entrenched economic malaise, but no one in a position of power is willing to do anything about it. In a cruel political sleight of hand, household debt is reduced to a personal problem or failing, ignoring the stark reality that the UK economy is as dependent on household debt as individuals are.

What makes monetary policy since the global financial crisis ‘unconventional’ is how central banks are using key policy instruments, but what is not often debated is how the technocratic processes for managing credit are having profound distributional effects. In other words, at present publicly subsidised (via government guarantees) credit flows through the banks to households, giving banks an unrivalled easy profit source; but loading up households with (relatively) expensive debt they struggle to maintain because of politically imposed austerity.

Central banks in the US and UK, but also across Europe and Japan, have used a package of monetary policies since 2008 to stave off the worst of the financial crisis. Specifically, they have kept interest rates extremely low (at the ‘zero-bound’) and implemented direct monetary financing measures. This is when the Treasury transfers newly issued government debt (UK gilts or US Treasury Bonds, for example) to the central bank to administer through credit and asset markets, collectively called Quantitative Easing (or QE).² Interest rates remain at zero or negative in inflation adjusted, or real terms. As strange as it sounds, credit can have a negative real interest rate for those institutions able to purchase government debt in the ‘discount window’. For example, in October 2017, the rate of inflation (price changes in the real economy) was 2.8% and the base interest rate set by the Bank of England was 0.5%. This means that institutions with a license to access short-term credit via the discount window facility were able to enjoy an almost automatic 2% premium because inflation is that much higher than interest rates.

What has kept the Debt Economy afloat is the unconventional monetary policy pursued by central banks since 2008. As overseers of the monetary system, central banks want credit to flow through the economy at a steady and even pace, generating growth without stoking inflation. Retail banks, together with other financial institutions, operate the credit system to generate profit. They generate profit by controlling the flow of credit based on the interest rate charged (and other fees) where are collectively called the ‘terms of credit’ (or how much they charge for credit).

Since 2008 there has been a glaring mismatch in incentives, but it is not just a design flaw of the monetary system, rather it is an expression of the norms and values that govern how the monetary system operates: who gets credit, how much they get, and at what price. These choices make credit political, not technocratic. At present, the Bank of England is struggling to use its policy tools to revive the macroeconomy, keeping interest rates low while putting the economy on life support. The enormous debt stock can be serviced, but economic activity cannot flourish in an economy drowning in debt. It is those private institutions that operate the credit system (underwritten by the state) that benefit most from keeping the economy dependent on debt.

The vision for change: making credit a public utility

Fundamentally changing the UK’s Debt Economy requires a bold new direction for monetary policy, specifically for the monetary system to be governed and operated as a public utility that supports the wider economy, rather than dominate it. Most reform efforts since 2008 have focused on the institutional design or regulatory structure of financial markets, with little success at much-needed structural change away from debt dependence. Although new regulations are necessary, they are almost meaningless unless they seek to change the role debt plays in the economy and society. Changing the governance of debt would accomplish more substantial transformation than new regulations or agencies to police them. We need only remember that there were plenty of regulations and regulatory bodies that oversaw the activities that led to the financial crisis in 2008. Changing the norms of monetary governance requires answering some big questions about the role of money, credit, debt and finance in the economy and society.

A new set of priorities for governing the monetary system can be forged by addressing fundamental questions about the value of credit: what purpose does credit serve? How does credit generate well-being and distribute harm across society? Who captures the profit from credit? What do we need credit for? Answering these questions produces a set of norms that re-orient the priorities of monetary governance.

To create a public utility model of credit, we must first change the governance norms around money, credit and debt. I propose a new principle for governing credit: ‘easy come, easy go’. The principle of ‘easy come, easy go’ recognises that the power and innate profitability of lenders to create credit from nothing, to charge the interest rate and fees that they see fit, and to sell-on (securitise) those loans to create additional revenue streams is a privilege that no one else enjoys. No other business sector or firm can simply create money and revenue streams at the stroke of a keyboard. There must be counter-weight to this unrivalled commercial power. The ‘easy go’ element recognises that household-level debts can be restructured if they are causing systemic economic harm.

Transforming the norms used to govern lenders, banks and financial institutions seeks to ensure that these sectors carry the burden of the economic crises they create. If credit is to be a public utility that supports the wider economy, we must recognise that credit is made at the stroke of a keyboard by lenders. If credit is that easy to create, then it can be eliminated just as easily. Banks have a license to print digital money, which then becomes revenue streams in the economy through consumption. However, credit contracts are also commodities that are traded multiple times over on global markets. If too much debt is causing wider economic problems and creating harm in society, then tackling debts is the only way to end it. The credit system needs to be re-designed to ensure that the ‘unconventional’ measures taken by central banks reach households and small businesses; and, by doing so, ensure that the publicly subsidised credit system plays a useful role in our economy and society.

Curbing the Debt Economy: a comprehensive 0% balance transfer for households

My proposal to deal with these issues is to create a Long-Term Refinancing Operation (LTRO) for households. Think of it as a 0% balance transfer scheme open to households with up to £40,000 of debt (including consumer, student and home equity loans). Just like the current LTRO open to banks under the Quantitative Easing scheme operated by the Bank of England, this new scheme would creatively reconfigure who can access to the low interest rates and refinancing options that are currently only provided to banks and other financial institutions. A 0% balance transfer for households will provide immediate relief to by reducing the costs of servicing debts. In other words, households will have more income because less would go towards debt repayment. This approach targets specific types of debt that generate harm to society, not specific groups of debtors that are deemed ‘overindebted’. Thereby, targeting specific debt products for refinancing amplifies the positive effect of debt refinancing to the wider economy by reducing the overall national stock of private debt and giving a large cross-section of the population access to some relief.

Finally, an LTRO for households would allow households access to the same publicly subsidised low interest rates already enjoyed by financial institutions and large corporations since 2008. Of course, lenders will not be eager to accept an interest rate ‘haircut’ or a reduction in the revenue they expect from the loans they issued. However, an LTRO will allow lenders to spread the losses to anticipated future interest revenue over the longer term. More importantly, long-term refinancing steadily weans the financial sector off its dependence on high-cost mortgage and consumer debt as a major profit source.

To understand how an LTRO works, let us start with the rate of interest. The rate of interest is the cost of credit (where financial capital is the resource, interest is the rent). Base interest rates are set by the central bank, and this is supposed to be the main mechanism of monetary policy. Central banks have chosen to keep the overnight rate of interest low since 2008 to ensure that there is plenty of credit flowing through the economic system.

Lenders are the issuers of credit contracts, which they do to maximize their profits – not to promote economic activity across society. As such, almost all households pay significantly much higher rates of interest than any other sector of the economy. The interest rate on credit cards is typically 18%-20%; on auto loans it is 4.5-6.5%; for a line of credit it is 3-6%; and for overdraft facilities at major banks it is 33-50%. Fringe financial products like payday loans, log-book loans

and door-step lending often charge interest rates in the thousands of percent (1,000% to 5,500%) and this industry is growing larger because of unconventional monetary policy.

An LTRO for household works by re-engineering the current credit system by changing the rate of interest charged on outstanding loans (taken out since 2008) and allowing lenders to offset their losses by selling-on (securitizing) the refinanced loans over the medium term, for example 7 to 10 years. Creating an LTRO and administering it requires the central bank and treasury to allow retail borrowers to access the same pool of refinancing offered to lenders since 2008. Basically, it would involve creating an arms-length fund run by the Bank of England and backed by the Treasury, effectively using the same credit guarantees given to the financial sector since 2008. In the UK, £2 trillion in credit guarantees were offered to lenders, which was used to back their long-term refinancing facility. Backed by credit guarantees, the fund offers households the ability to consolidate all their consumer, student and home equity (up to a value of £40,000). Consolidated loans would be refinanced at 0% for seven-years to ten-years, subject to small administrative fees.

These newly refinanced loans would then be sold-on, in a process called securitization, in which investors would be given a like-for-like exchange of debt securities (called a debt-swap). Most people do not realise that it is financial investors, mostly pension funds and insurance companies, that own most of the debt securities related to household borrowing. Organising the LTRO for households in this way would allow lenders to absorb the interest rate 'haircut', or reduction in their anticipated future revenue, by allowing them to adjust the profit expectation of the investors in their debt securities over the long-term. Giving borrowers access to the same government-backed scheme lenders have enjoyed for almost a decade gives household sector immediate relief and imposes costs on the financial sector in the future.

Debt relief makes another economic future possible

The simple truth is that debt manipulates, or shifts, time. In the simplest terms, debt means 'buy now, pay later'. This seems rather innocuous at first glance, but the long-term effects of living in an economy dependent on the 'buy now, pay later' principle are precarious. Currently, UK households and the national economy are in the prolonged 'pay later' phase of indebtedness.

Let me explain. When banks create debt, it generates economic activity at that time – 'buy now'. When borrowers repay loans, economic activity is muted because present-day income flows directly to the banks as rent on interest bearing loans for the term of the loan ('pay later') – which can be anywhere from 12 months to 5 years, to 35 years. The time-lag of debt has important psychological effects on borrowers that are projected onto society: debt creates an economic future predicated on always paying for the past.³ Past consumption, past investments, past emergencies and past pleasures created an afterlife in the present via debt obligations. They might be regretted or absolutely necessary, but they are not easily thrown off. In the same way that individuals are constrained by debt obligation, so too is the collective future that debtors share as citizens of a national economy dedicated to debt-led growth.

It is important to recognise how the wider economy benefits from the added economic activity financed by household debt, especially acknowledging that most consumption would have otherwise been foregone because of the squeeze on incomes over the past two decades. Since

economic activity appears on national statistical registers in the period that the purchases are made, the time-lag of household debt ensures the benefits to the economy are fleeting.

Not only that, the cumulative effects of carrying multiple debt obligations creates a generalised stagnation – this is precisely the problem that LTRO seeks to solve. By offering households the ability to consolidate their outstanding debts and refinance with low-cost long-term loan (effectively a debt write-down), it will spread the benefits of unconventional monetary policy. It gives households access to the same form of debt cancellation already enjoyed by the financial sector – wholesale refinancing.

Offering households access the equivalent of a 0% balance transfer deal for most of their debts offers them immediate relief, while spreading the incurred losses to lenders into the future. LTRO is a way of ‘hacking’ how debt shifts time. Currently, households use present-day income to service the huge stock of outstanding debt, creating a large and persistent drag on economic activity. A debt write-down offers immediate relief to households by reducing the (present-day income) costs of servicing debts. Securitizing the LTRO loan pools offers lenders the ability to spread their losses over the long-term. Setting a closing date for the securitised pools (seven to ten-years) creates an end point for debt dependency that allows lenders to unwind their investments in continued household indebtedness. A closing date for the securitized loan pool must be in place to ensure that debt-dependent growth ends (in the medium-term), so that debt cancellation is not used to simply reset the same conditions for another debt boom.

Targeted debt relief

The benefit of using an LTRO method for writing-down the costs of servicing debts is that it can target specific types of debt, not types of debtors (for example, just those that qualify as ‘overindebted’). These would be the debts that are causing the most economic distortions that are the most harmful in society. Up until now the problem of ‘over-indebtedness’ of households has been monitored by governments and financial regulators in a way that classifies types of debtors by the degree to which they are managing (or not managing) their portfolio of loans.^{4 5} Typically this is done by creating benchmarks and measuring degrees of financial fragility and classifying them into groups of debtors.⁶ Targeting only problem debtors with high amounts of debt risks an LTRO being treated as an act of charity, not an economic necessity required to end macroeconomic debt dependence. This is why it is better to target specific types of debt that are causing economic distortions, for example mortgage debts fuelling the housing crisis and, relatedly, intergenerational inequality. Some types of debt are also particular sources of harm in society. For example, student loans that hurt lifetime earnings and wealth building by loading young people up with high-cost loans, even before they enter the workforce.

The reality of indebtedness, which is not easy to grasp from aggregate measures, is that many households have multiple overlapping debts: an overdraft, credit cards, lines of credit, a car loan, and a second mortgage on the home (if they own a property). Regulators assume that households switch between products based on the terms of credit: overdrafts (and payday loans) are used for only a few days, credit cards for a few months, and lines of credit for specific large purchases. Switching between credit products is possible, although not as common as regulators assume. However, the problem that many households face is a credit saturation point, where they can easily start drowning in debt. For example, a household with many forms of debt, having used up the

available low-cost products, will use higher-cost loans to meet additional demands on incomes or unplanned needs of the household. Making long-term refinancing available to households allows those with the most exposure to debt to consolidate, but those with small debts can also reap the benefits of refinancing. I believe this approach will amplify the effects of debt cancellation throughout the entire economy, because more people will benefit from LTRO than if we just focused relief on the most indebted households.

Tensions and debates

With central bank interest rates at historic lows, offering households access to these low-interest rates will allow credit to operate as a public utility. However, a debt write-down is equivalent to a ‘haircut’ for lenders, because it eliminates a portion of revenue that lenders expect from charging higher rates of interest on credit products. The case against an LTRO for households is therefore the same as that which is aired whenever financial institutions are asked to take a ‘haircut’.

This is by no means an uncontentious issue. We can expect lenders, the entire financial sector and their political supporters to threaten another massive financial crisis if debts are cancelled. After taking bailouts and years of government subsidised loans, including their own long-term refinancing, the financial sector will claim any form of debt cancellation for households will cause financial markets to collapse. This is because LTRO for households will induce short-term losses for lenders. My response is simple: another financial crisis is likely, but it will happen whether lenders take a haircut on household debt or not. Financial crises are getting bigger and more frequent, without any bailouts given to households. A shift in policy is necessary to reduce the harm caused to people by the recurrent crises of the financial sector. Long-term refinancing is one policy step in that direction.

Another argument against a write-down of household debt is the claim that ‘banks will never lend again’ because re-financing to lower interest rates will give no incentive to banks to lend to households. This is very doubtful, given that banks’ primary source of revenue is a licence to print digital money by issuing loans. The justification is far simpler than the objection to a household debt write-down: since lenders benefit from publicly subsidized low-interest credit, an LTRO for households ensures that this low-cost credit is passed on to borrowers. Implementing fairness and equality in credit markets should not sound as radical as it does in today’s debt economy.

In addition, some may object to offering debt forgiveness to middle-class households that are not financially struggling. This argument is that the additional costs of the bailout for those that are not in financial peril is not worth it, and is construed as ‘unfair’. That said, implementing a means-tested write-down incurs substantial administrative costs of their own (made evident by successive efforts at welfare reform). Not only that, it perpetuates a very flawed notion of a ‘deserving’ debtor that can very easily be vilified by opponents to this plan – ‘skivers’ get a bailout while ‘strivers’ have to pay their debts. The proposal here to offer long-term refinancing on specific types of debt (not types of debtors) enables the benefits to be more easily transmitted across the entire economy. It is difficult to stoke economic divisions when a large cross section of the population benefit from a 0% balance transfer.

There are also a number of other policy proposals that seek to transform the objectives of unconventional monetary policy to better serve households, the economy and society. Economist Steve Keen has advocated for a *Modern Debt Jubilee* that gives direct monetary financing to every individual tax-payer, adapting the examples set by Australia and US in the wake of financial crisis in 2008.⁷ Another proposal, led by *Positive Money* in coalition with other civil society groups, advocates for *QE for the People* or direct monetary financing for households.⁸ Achieving this could be as simple as adjusting the balance sheets of major banks: swapping future anticipated interest payments on debt-assets for cash reserves (because the debts are paid-off, not cancelled). This will, it is argued, create a stimulus that will end economic stagnation.^{9 10} Just as double-entry book keeping enabled vast sums of debt to be created without reference to the underlying economic fundamentals, so too can double-entry book keeping be used to destroy the debt stocks stifling economic renewal after the crisis¹¹.

Supporters of direct monetary financing to households argue that the benefits are experienced within the wider macro-economy because it directly counteracts the effects of the unprecedented debt overhang that is currently stifling economic renewal. Opponents of direct monetary financing to households believe it will be an overly expensive unworkable mess that creates a strange hybrid of monetary policy doing the work of fiscal policy. Put another way, if *QE for the People* seeks to reverse the stagnation caused by traditional QE and address the democratic deficit it causes, it should do so through fiscal policy (typically run by the Treasury department) with explicit economic policies.^{12 13}

The *Modern Debt Jubilee* proposal and *QE for the People* campaigns have started a much-needed democratic questioning of vast sums of publicly subsidised credit made available to the financial sector after the 2008 crash. These proposals advocate, as I do, that we can re-engineer the existing the credit system to operate in a way that produces better results for the wider economy and society (not just the profits of financial institutions). Too often our technocratic central bankers cling to antiquated economic models and assumptions rather than boldly consider the ways in which credit and debt do not conform to their economic theory. Our monetary system is run as part of the ‘Econocracy’, in which “political goals are defined in terms of their effect on the economy, which is believed to be a distinct system with its own logic that requires experts to manage it”.¹⁴ However, economics is not just a set of tools to be used by expert central bankers but a set of ideas about how the economy works as part of society. As such, existing proposals to extend the financial bailout to households provides an alternative vision of how credit can be governed differently.

From here to there: strategy and implementation

The overarching strategy for implementing a Long-Term Refinancing Operation for households needs to focus on why an LTRO for households is necessary, both for the economy (by reducing the overall private debt ‘overhang’ causing protracted economic stagnation), and, society (by reducing the burden of high levels of private debt). There is ample evidence that historically high private debt levels are having many adverse economic effects and negative consequences in society.¹⁵ Emphasizing the many negative effects of debt to society needs to be linked to the idea that the financial system can be ‘re-engineered’ to work better for the economy and society.

From this overarching strategy, three pathways emerge to advance this agenda:

1. Convince the central bank that an LTRO for households is a necessary means to reducing the private debt stock

The Bank of England does not need to be convinced that private debt, which has reached historically unprecedented levels, is a cause of stagnation and, thus, a monetary problem that needs to be monitored and addressed. Similarly, it will likely not be difficult to convince the Bank of England that its current basket of policy tools is ineffective at tackling the debt overhang problem. However, there will be considerable difficulty convincing the Bank of England that it ought to extend its current ‘unconventional monetary policy’ to the household sector. Put simply, the Bank of England exists for the financial sector, to govern and coordinate the monetary system they operate in and generate profits from. Most central bankers come from careers in the financial services sector, making them unsympathetic to policies that seek to take away profits from the financial sector. An LTRO will be considered a political interference in the technocratic governance of markets. At the same time, the vested interests of the financial sector will use the Bank of England to oppose any attempt to impinge on its profitability.

In order to counteract the opposition from the financial sector as it will be articulated and represented by the Bank of England, there needs to be open acknowledgement that central bank independence includes keeping arms-length distance from the political influence of commercial lenders. In other words, political independence cuts both ways. The Bank of England could – and should – be set the task of addressing the problems within the monetary system that have created an historically unprecedented growth in private debt. Using the expertise within the Bank of England to modify the existing monetary measures to meet a different objective does not require any change to its mandate. Instead, implementing an LTRO for households shifts the norms of monetary governance to ending debt dependence and promoting economic stability.

2. Mobilise HM Treasury’s technocratic expertise to design the structure of the LTRO fund and prudently manage its resources

It is important that an LTRO for households has a democratic mandate, in a way the 2008 bailouts and QE did not. Following the election of a government that has committed to the policy, a team within HM Treasury could design the structure of the LTRO fund, creating an open and transparent funding structure that is administered by the Bank of England. This would replicate the same hybrid model of fiscal and monetary policy coordination that was used to implement the financial sector bailout in 2008. Much like the Payment Protection Insurance refund scheme, which refunded millions to customers defrauded by lenders, an LTRO for households would consolidate consumer loans (up to £40,000 of loans issued since 2008 per borrower) into a zero-interest loan. Scaling this up would mean using the same infrastructure as PPI, but also including lenders by offering them the opportunity to identify customers from their own loan book and allowing them to collect the administrative fees.

3. Engage the general public in a dialogue about their experiences of debt

My extensive research into the political mobilisation around debt shows that “getting to know your debt” is a powerful tool for fostering understanding of the connection between economics and everyday life.¹⁶ Talking about our debts is a very effective way of making space for politics on a topic that most people are told not to talk about – money. Occupy Wall Street in New York started

the practice of ‘Debtor Assemblies’, while church groups in London started ‘Money Talks’, and both of these actively engaged people at the community level to come together and talk about the effects of debt on them. These spaces quickly became a place of community mutual support that fomented a wider political struggle against the merchants of debt in the community. These two examples show how easy it can be to inform policy makers (if they wanted to know) about the effects of debt in everyday life and the macroeconomy.

The main opposition to this critical pathway will be the media, which will actively foster a narrative that debtors are being bailed out at the expense of hardworking savers, or those that don’t have much debt. Moralising about debt will also include arguments about ‘moral hazard’, which resonates with people on different levels. Moral hazard describes how individuals engage in risk-taking behaviour knowing that protection against the consequences will be incurred by another party. In other words, if the problem is that households have taken on too much debt (the risky behaviour), then cancelling outstanding debts will only temporarily solve the problem because households will go on to borrow again knowing that debts will be cancelled again in future. This supposition might very well be true; it was precisely the argument made against bailing out the banks in 2008, and against unconventional monetary policy. Banks are still engaging in risky behaviour because they know they are too big to fail, but the importance of the financial sector to the entire economy outweighs the costs. Challenging this narrative is partly technical: after all, the same can be said about the household sector – its importance to the overall functioning of the national and global economy is such that a bailout of their debts is as necessary as the financial sector. In addition, countering the moral critique of bailouts is about offering another moral framing: credit must be of use to the economy, not the cause of ever harsher crises that require bailouts.

Next steps

The immediate next steps needed to advance the policy agenda of implementing an LTRO for households must build support for debt cancellation as a means of ending chronic debt dependence within the UK economy. This means:

- **Breaking the strategic silence on household debt:** This means giving voice to the perils and harm caused by debt in some contexts, but avoiding the fatalism that debt can impose as a form of financial melancholia. It also means working to foster a new vision of credit governed like a public utility, providing a social function and investing in the economy. This sounds simple, but it is a radical departure from how credit is governed and managed in today’s political economy.
- **Opposing the framing of debt as a personal failure:** The discourse around household debt is often cloaked in shame and a sense of personal failure. However, debt is the defining feature of the contemporary British economy. Many people have taken on the burden of private debt simply because it is a fundamental part of daily existence and essential for the functioning of the financial system. Those with the power to do something about it are silent because the UK political economy is as dependent on household debt as individuals are. Casting indebtedness as a personal problem is a crude political sleight of hand. The battleground for an LTRO for households is not in the technical detail of ‘how

to implement' and 'how much it will cost', but rather the emotional and cultural registers that people use to make sense of debt in their everyday life.

- **Engaging with those who are already working on household debt:** Many third sector organisations, campaign groups and individuals are already acting to highlight, educate, inform, and coordinate action related to the problems of indebtedness. These groups have a range of activities to assist the indebted, such as advocacy and personal advice, and they are well placed to diagnose key problems caused by rising indebtedness. Ongoing engagement with these actors is essential to successfully framing household debt as a major problem, to which LTRO is the solution. To build momentum, the existing landscape of actors need to pull in the same direction to initiate a debate on the different political responses and policy alternatives to address the problems of indebtedness.
- **Establishing a travelling festival-style event focusing on public education and movement building activities:** These could be modelled after the Money Talks or Debtor Assemblies mentioned above, but scaled up to be hosted right across the UK. My research has shown that expertise about debt is both technical and experiential, and that financial literacy is best achieved when treated as a collective endeavour. Debt and personal finances are not just calculations – they require emotional support.¹⁷ Being attentive to these details will make debt into a collective, political issue, that people want to act against in a personal and political capacity. This will require an investment in public education and movement building activities to engage directly with the general public, which in turn will help to foster a collective vision for acting against it.

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Endotes

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Beyond the Property Owning Democracy: A New Vision for Land and Housing

by Laurie Macfarlane¹

Britain is in the grip of a severe housing crisis. After decades of sustained house price inflation, average house prices are now nearly eight times that of incomes, more than double the figure of 20 years ago.² For those who own property, this has provided enormous benefits. Since 1995 alone, the value of Britain's housing stock has increased by over £5 trillion – accounting for three quarters of all household wealth accumulated over the same period.³ In the early 2000s, house price growth was so great that 17% of working-age adults earned more from their house than from their job.⁴

But as house prices have continued to increase and the gap between house prices and earnings has grown larger, the cost of housing has become increasingly prohibitive. Whereas in the mid-1990s low and middle income households could afford a first time buyer deposit after saving for around 3 years, today it takes the same households 20 years to save for a deposit.⁵ In the absence of adequate social housing, many have increasingly found themselves with little choice but to rent privately. For those stuck in the private rental market, the proportion of income spent on housing has risen from around 10% in 1980 to 36% today – among the highest in Europe.⁶ The result is that home ownership has been falling sharply, particularly among young people, while homelessness has been rising fast: the number of people sleeping rough in England has hit a record-high, having more than doubled since 2010.⁷

In the UK, the housing market has long been viewed as a perennial source of wealth. But much of the wealth accumulated through the property market in recent decades has been gained at the expense of those who do not own property, who will see more of their incomes eaten up by higher rents and larger mortgage payments. The housing boom has spawned a one-off transfer of wealth, away from those who don't own property towards those who do.⁸ While the main beneficiaries of this have been the older generations, eventually this will be passed on to the next generation via inheritance or transfer. Already the 'Bank of Mum and Dad' has become the ninth biggest mortgage lender in the UK.⁹ The ultimate result is not just a growing intergenerational divide, but an entrenched class divide between those who own property (or have a claim to it), and those who do not. Not only is this not particularly fair, it is also not particularly efficient. The availability of comparatively higher returns from property investment crowds out productive investment, as investors find it easier to make returns from capital gains on existing real estate than from investing in new productive activity.

At the same time, rising house prices have contributed to growing segregation of communities along socioeconomic lines, with poorer households priced out of desirable areas with good schools, work opportunities, transport links and other services.¹⁰ Gentrification has ripped apart many diverse communities, while private developers have been left to shape our built environment

in the interests of shareholders rather than human needs. More recently, public space has undergone a quiet a process of ‘urban enclosure’ with the rise of Privately Owned Public Space (‘POPS’) – squares and parks that appear to be public but are actually owned and controlled by private companies. The Royal Institution of Chartered Surveyors has described the growing private ownership and management of spaces that appeared to be in the public realm as a “quiet revolution in land ownership”.¹¹ The problems with this are not merely economic – the decline of genuine public space poses a serious threat to democracy.

Without bold action, a prolonged crisis will only serve to deepen inequality, accelerate social exclusion, sharpen class divides, and hold back Britain’s economic and social potential.

How did we get here?

A common explanation for Britain’s housing crisis is that housing supply has failed to keep up with demand. However, this is more accurately a symptom of the problem. The housing market is complex and multifaceted, but at the root of the problem lies a dysfunctional land market. The price of a property is made up of two distinct components: the price of the building itself, and the price of the land that the structure is built upon. The value of land underneath homes has been rising rapidly, and is now worth around £4.1 trillion, accounting for nearly 70% of the total value of the housing stock. This makes land the UK’s most valuable asset, even in today’s high-tech economy, accounting for 51% of UK’s net worth.¹²

Often land is thought of as simply another commodity that can be owned, bought and sold much like any other. However, land is not just another good or service. In economic terms, land is best understood not as soil or earth, but as a set of legal rights over physical space. Land’s unique properties – scarcity, permanence, irreproducibility, immobility – mean that the land market does not function particularly well and is replete with failures.¹³ The supply of land cannot easily be increased or expanded to meet greater demand, and market price signals cannot be relied on to efficiently guide decisions over what land should be used for. Even the most market-orientated states recognise this, and impose non-market regulatory controls on land use.

The way the land market operates is a function of the laws, institutions and regulations that govern the ownership, trade and use of land. In the UK, these have varied immensely over time reflecting the evolution of power and class relations in society.

Throughout much of the twentieth century, the state played an active role in the land market through large scale public house building programmes. Combined with tight mortgage regulation, rent controls, taxes on property and the ability to purchase land compulsorily at low cost, this proved to be an effective means of keeping prices under control.

But beginning in the 1960s this began to change. Taxes on land and property were removed, and subsidies for homeownership were introduced. The deregulation of the mortgage credit market in the 1970s meant that banks quickly became hooked on mortgage lending, unleashing a flood of new credit into the housing market: domestic mortgage lending increased from 20% of GDP in the early 1980s to over 70% before the financial crisis.¹⁴ This process was accelerated by the advent of securitisation: the practice of packaging mortgages up into complex instruments and selling them on, which proved so destructive during the financial crisis. The result was that an ever increasing supply of credit interacted with a fixed supply of land, fuelling a house price boom. In

turn, households were forced to take out ever larger mortgage loans to get on the housing ladder. Thus, a feedback loop emerged between mortgage lending, house prices and ever increasing levels of household debt.

With the arrival of Margaret Thatcher, the government withdrew from house building, and councils were forced to sell their housing stock through 'Right to Buy' and prevented from building more. During Margaret Thatcher's time in office 1.5 million publicly owned properties were forcibly transferred into private hands, in what she described as "one of the most important revolutions of the century".

In the 1990s, rent controls were abolished and the private rental market was deregulated, fuelling a new 'Buy to Let' frenzy. Today tenant protection in England remains weaker than almost anywhere else in Europe.¹⁵ Meanwhile, speculative investment from overseas has risen dramatically in recent years, particularly in London and the South East, pushing up prices further. While much of this has come from legitimate sources, the London property market has also acted as a safe haven for criminal money laundering. As Donald Toon, head of the National Crime Agency, has described: "Prices are being artificially driven up by overseas criminals who want to sequester their assets here in the UK".¹⁶

A new vision

Britain's housing crisis is not natural or inevitable, and neither is it an accident. Instead, it is the by-product of a carefully planned political project first developed by the Conservative Party in the 1950s, accelerated under Margaret Thatcher, and continued by New Labour in the 1990s and 2000s. The aim of this project was to dramatically increase homeownership and transform the country into a 'property owning democracy'. This remains the underlying strategy that guides housing policy to this day.

That vision has now failed. Although attempts to widen access to the benefits of homeownership succeeded for a while, eventually a tipping point was reached: prices are now so high that a whole generation finds itself completely priced out of the market, and levels of homeownership have been falling for 15 years. Projecting current trends forwards, it seems that the nineteenth century picture of the land economy is beginning to reassert itself: sooner or later, the majority will find themselves renting from a small, wealthy minority of property owners. In London, for example, private renters now outnumber homeowners, and on current trends 60% of households will be renting by 2025.¹⁷ The 'property owning democracy' is therefore failing on its own terms, and the cost of this failure is being borne by those who can afford it least.

On the other hand, as a political project it has been a remarkable success. The drive towards a 'property owning democracy' not only transformed housing provision, it fundamentally shifted the ideological outlook of millions of people. It undermined the spirit of collective solidarity, and allowed the neoliberal ideology of individualism and selfishness to take root in communities. This was no accident: the Conservative Party has long understood that the property relations of the home environment have a significant bearing on people's ideological outlook and voting preferences. For example, Right to Buy was conceived by Conservative leaders as a way of eroding collectivist sentiment by giving more people a direct stake in the system of private property and unearned wealth. More recently, Nick Clegg has described how George Osborne once remarked:

“I don’t understand why you keep going on about the need for more social housing – it just creates Labour voters.”¹⁸

A new approach to land and housing is therefore urgently needed which not only addresses the underlying root causes of the housing crisis, but which also embeds the principles of the new economy. This should include:

- **De-financialisation:** Ever since land became private property, it has served two conflicting functions. On the one hand, it has been an essential consumption good, providing a site for shelter and other essential amenities. From this perspective, it is desirable for land prices to stay low to ensure that housing is affordable. On the other hand, it has been intimately bound up with the evolution of finance, acting as a financial asset upon which it is possible to secure credit and enjoy unearned capital gains. From this perspective, it is desirable for land prices to increase rapidly. In the last few decades, land’s function as a financial asset has been prioritised over its function as a basic consumption good. Looking ahead, the aim must be to return to a society where houses are viewed as somewhere to live, not as vehicles for accumulating wealth.
- **Public interest-led development:** As will be discussed further below, many of the problems of the British housing system can be traced to a reliance on private developers operating on a speculative model of development. The duty of these companies is to their shareholders, and they will shape the built environment in whichever way will maximise shareholder value. In many cases, this bears little resemblance to the type of buildings, tenures and amenities that a community actually requires. Looking ahead, development should be led by bodies that are democratically accountable with a duty to serve the public interest, working in partnership with planning authorities, land owners and other relevant stakeholders.
- **Democratically owned property:** One consequence of a heavily financialised property market has been a growing sense of alienation in communities, and a feeling of no control over the decisions that affect the local area. Often this is linked to gentrification, as people get priced out of their local communities and replaced by the highest bidder. Looking ahead, communities should be empowered with the rights, resources, information and incentives needed to bring land into community ownership and take control of local assets wherever feasible – managing assets democratically in the interests of those who live there, both now and in the future. This embodies a move away from the failed notion of a ‘property owning democracy’, and towards a reshaping of society around the idea of ‘democratically owned property’.
- **Private sufficiency, public luxury:** As George Monbiot has highlighted, while there is not enough physical or environmental space for everyone to enjoy a life of private luxury, there is enough space, if land is used rationally, for everyone to enjoy shared public luxury: excellent parks and playgrounds, public sports centres and swimming pools, galleries and public transport networks.¹⁹ A new approach to land and housing should enshrine a universal right to a decent and affordable home as well as cutting-edge, free at the point of use amenities and transport.

Developing policy options

When it comes to policy, there is no quick fix. In this section, a number of policies are outlined that would shift the direction of travel towards the vision outlined above. The proposals that follow are not intended to be a comprehensive set of policy solutions, but rather some important first steps that will open up space for further change.

1. Reforming compulsory purchase laws

The question of who captures the increase in the value of land that results from the granting of planning permission and new infrastructure, and how this is used, has been at the centre of land reform debate for centuries. In many countries, the planning system or compulsory purchase laws enable the uplift generated by planning and collective development to be captured by the state. This was also historically the case in the UK – a system that was perhaps most successfully used to deliver the New Towns programme which began in 1946.

However, under the current legal framework, public authorities in the UK are prevented from purchasing land at existing use value and capturing the uplift. The Land Compensation Act 1961 (in Scotland, the Land Compensation Act 1963) reinstated the principle that landowners are entitled to ‘hope value’ on any land compulsorily purchased. In practice, this means that where public authorities wish to purchase land for development, landowners must be compensated not on the basis of what the land is actually worth at the time, but on the basis of what it one day might be worth if it ever got residential planning permission. Because the difference between existing use value and hope value is usually dramatic, these changes significantly increased the cost of land for development, and ended the ability of public authorities to deliver cheap land for new housing. In other words, the changes meant that the benefits from rising land values would flow to landowners rather than the general public.

Reinstating the ability of public authorities to acquire land at near use value could potentially have a transformative effect on housing delivery. This would mean that public authorities, rather than the landowner, would capture the uplift the value of land, unlocking significant funds for infrastructure and development. One way of doing this would be to make relatively small amendments to the 1961 Land Compensation Act so that, going forward, no account is taken of prospective planning permissions with regards to compensation for land designated for housing and infrastructure. Although this relates to compulsory purchase orders (CPOs), in reality few CPOs would ever need to be issued. Evidence from the UK’s own past, and from equivalent countries, shows that the very existence of strong compulsory purchase powers can be enough to shift the balance of incentives in the operation of the land market. In the knowledge that the land could be purchased by the state at near use value, landowners would be incentivised to part with land at a low but fair price.

2. A new Land Development Corporation

Despite widespread consensus that more homes need to be built, the rate of new house building has never returned to the levels witnessed before the 1980s when the state played a more active role. Often this is attributed to a failure of the planning system, which is often accused of being overly restrictive, particularly by the free-market right. While ongoing reform of the planning system is necessary, the focus on planning tends to overlook other more significant factors which

constrain housebuilding. The foremost of these is the development process itself, and in particular the UK's reliance on the private, speculative model of house building. This model of house building is a cyclical process of raising finance, buying land, securing planning permission, constructing the homes and finally selling them.²⁰ Several important features of the British housing system are the product of this model.

Because development is risky, uncertain and requires a lot of capital, developers prioritise strategies that can reduce their risk, such as buying land allocated by the planning system, holding strategic land banks, and seeking to dominate localised new-build markets to reduce competition. Once land has been secured, developers cannot risk undermining prices in a local market by releasing too many homes at once. To do so would risk reducing house prices in the area, lowering the value of the land that the developer has already invested in. This in turn would erode the developer's profit, and if profits fall too far the scheme may be deemed 'non-viable' which would see construction halted. This business model makes it inherently difficult for developers to deliver a step change in the number of homes being built, because their profits depend on house prices remaining high which, in turn, incentivises the slow release of new homes.

Thus, this model cannot be relied on to meet Britain's housing need. Instead, success in housing requires a much more proactive role for the state in the land market. One way of doing this is to create a new, democratically accountable 'Land Development Corporation' with the power to purchase, develop and sell land and ensure that this key resource is being managed in the public interest. The Corporation would not replace private developers altogether, but would act as the 'prime mover' in the land market, working in partnership with small and medium sized house builders, planning authorities and landowners to ensure that enough land is brought forward to deliver housing, new towns and urban regeneration projects. When combined with reforms to compulsory purchase laws outline in the previous section, a new body of this type could also, if implemented effectively, be a powerful way to capture land value uplift.

Similar institutions play important roles in other countries. In South Korea, around half of all residential land development and almost all industrial land development is carried out by the Korean Land Corporation (KLC). Since being formed in 1975, the KLC has played a key role in transforming the economy of South Korea by efficiently managing land and promoting economic development, and ensuring that land and housing have remained affordable.^{21 22}

3. Expand democratic community ownership

As outlined above, bringing land into community ownership provides one means of de-financialising land and empowering local communities. There are number of possible non-market models, but one of the most common is the Community Land Trust (CLT). CLTs are non-profit, community-based organisations that develop housing or other assets at permanently affordable levels for long-term community benefit. A CLT typically does this by separating the value of the building from the land that it stands on; the land is owned by the CLT and then leased to households who purchase the homes that sit on the CLT land.²³

Typically, the CLT will be democratically controlled by its members, and its assets are protected by an 'asset lock', meaning they can only be sold or developed in a manner which benefits the local community. CLTs range in size, can be rural or urban and provide a variety of housing tenures as

well as other community facilities, including energy generation, community food and farming. They have proven to be effective at helping to meet local housing need and achieving wider social and economic benefits for the community involved.

A key challenge that CLTs and similar entities face is the difficulty of identifying and then purchasing land, particularly in the UK where land prices are so high. Communities typically lack the funds, time and expertise to establish successful CLTs. There is therefore a need to introduce new support mechanisms to help scale up community ownership across the country.

In Scotland, the Land Reform (Scotland) Act 2003 introduced Community Right to Buy, which empowered communities with the first option to buy land when it was put up for sale. This was accompanied by the establishment of the Scottish Land Fund, which provides community organisations with the funding needed to acquire land, buildings and other assets. Initially, the Community Right to Buy was aimed at helping rural communities purchase the large estates they lived on which were typically owned by absentee landowners. However, more recently the Community Right to Buy has been expanded to urban areas, and the powers have also been strengthened: community groups are now able to purchase land without a willing seller under certain circumstances, such as where the land is abandoned or neglected. To date it is estimated that around 500,000 acres have been taken into community ownership in Scotland.

Community Right to Buy does not currently exist in other parts of the UK. Extending it to England, Wales and Northern Ireland, and strengthening the powers further, would provide a powerful means of scaling up CLTs and other forms of community ownership. This should be supported with significant funding for the recently established Community Housing Fund, which should provide grants for land acquisition, capacity building, business planning and other activities that are needed to establish a CLT.

4. Tax reform

A well designed tax system can be an effective means of discouraging speculation and incentivising an efficient use of land. However, our current tax system does the opposite. Although council tax operates as a recurring tax on property, it is a highly ineffective property tax since the tax is based on what the estimated value of the property was on 1 April 1991 and therefore bears little resemblance to current market values. Moreover, when capital gains tax was introduced in 1965 an exemption was made for primary residencies.

Recent changes to inheritance tax have further enhanced the tax treatment of housing compared with other assets. In the 2015 summer budget the Chancellor of the Exchequer announced a new transferable main residence allowance that effectively raises the tax-free allowance from £325,000 to £500,000 per person for estates that include a house, and to £1 million for married couples. Significantly, under the current taxation system in the UK there are no taxes which discourage passive landowners from retaining vacant or derelict land. This has meant that, in an environment of rapidly rising land values it can be profitable to acquire land and hold onto it rather than develop it.

Our system of taxing land and property must therefore urgently be reformed. As a minimum, this must involve replacing council tax with a progressive property tax based on current property values; bringing vacant and derelict land into the non-domestic rates regime; abolishing the capital

gains relief on primary residences; and removing the transferable main residence allowance for inheritance tax.

Longer term, there is a strong case for undertaking more fundamental reform of the tax system by replacing council tax and business rates with a split rate taxation system, where separate taxes are levied on the value of the land and the value of the physical property. This would enable land and buildings to be taxed at different rates, allowing for a gradual transition towards land value taxation. By attaching a cost to owning land, a land value tax would diminish the incentive to buy land and property for speculative purposes rather than productive purposes, as a substantial part of any increase in land values would be captured for public benefit.

There is also a strong case for significantly increasing inheritance tax on primary residencies, given the significant windfall gains that have been amassed through the housing market in recent decades, which are unlikely to be repeated.

5. Break the link between the financial system, land values and the wider economy

Perhaps the key challenge is how to break the positive feedback cycle between the financial system, land values and the wider economy. In the UK, new mortgage loans collateralised against property have become the main source of the money supply, and bank balance sheets are largely secured against UK land values. Moreover, the UK's economic performance has become intimately linked to house prices: households spend more when house prices rise, and spend less when house prices fall, meaning that volatility in house prices is transmitted into volatility in the wider economy.²⁴ Thus, any policies which put a downwards pressure on house prices risk triggering financial instability and/or a recession. To achieve the vision outlined above, it is therefore necessary to make reforms to the banking and wider financial system to wean it off land as its primary collateral for lending, thus 'de-financialising' land's role in the economy. This can be achieved through a variety of means:

- **Financial regulation:** The Bank of England's Financial Policy Committee should impose stricter loan-to-income and loan-to-value ratios in order to restrict the amount of new credit flowing into the property market. Bank regulatory capital requirements should also be reviewed to reduce the strong favouritism shown towards property lending over other types of lending. Regulations should instead support banks that are able to de-risk their loans via methods other than land-based collateral, most obviously via the building up of long-term relationships with non-financial businesses.
- **Structural reforms to the banking sector:** Over the last thirty years, the UK banking sector has come to be dominated by a small number of large shareholder-owned banks. During this time the business models of these banks have shifted radically, switching from lending mainly to businesses for investment to lending to households for home purchase, taking land as collateral. There is therefore a strong case for implementing structural changes to the ownership and function of the UK banking sector – including breaking up large incumbent banks and establishing new public and co-operative banks – in order to re-orientate the banking sector away from property and towards socially useful activity. Here lessons can be learned from the 'stakeholder banking' systems of countries such as Germany, Switzerland and Austria.²⁵

Tensions and debates

Although there is widespread agreement across the political spectrum that the housing market is broken, there is significant disagreement about what should be done. Among progressives, there are perhaps three main areas of contention in relation to the vision outlined above.

The first relates to attitudes towards homeownership. There remains strong support on some parts of the political left for the idea of a ‘property owning democracy’. In policy terms, this means acting to help more people onto the ‘property ladder’ and widen access to the benefits of homeownership. Often this is based on a belief that high levels of homeownership are somehow related to economic success. However, examples such as Germany, Switzerland, Austria and Singapore, which all have homeownership levels below 50%, demonstrate that high levels of homeownership are not a prerequisite for a prosperous society. Germany, Switzerland and Austria all have significant social and cooperative housing sectors, while in Singapore 80% of the population live in public housing and 90% of all land is owned by the state.²⁶ In contrast, the countries with the highest levels of homeownership are some of the poorest in Europe (e.g. Romania, Lithuania and Bulgaria).

Perhaps more fundamentally however, maintaining support for a ‘property owning democracy’ ignores the key lesson of housing policy from the past half-century, which is that beyond a certain point, widespread homeownership creates the conditions for its own demise. Eventually, rising prices start to choke off demand from first-time buyers, and although this can be temporary alleviated via looser credit constraints and more government subsidies, the effect of this is simply to push up prices further – creating an affordability crisis and a range of other harmful side effects. The UK is not alone in experiencing this: other countries that have followed a similar approach, such as Canada, Australia and New Zealand, are all similarly experiencing falling rates of homeownership and acute affordability crises. The vision outlined in this chapter is not against homeownership *per se*, rather it seeks to bring an end to the favourable treatment of homeownership versus other tenures, and promote more inclusive and sustainable alternatives.

A second area of contention relates to the strategy for dealing with high house prices. A key aim of the vision outlined above is to make housing more affordable over the long-term. However, some have suggested that a progressive government should seek to bring down house prices immediately by pro-actively engineering a reduction in house prices in order to “burst” the housing bubble. However, this is to significantly overstate the government’s ability to control house prices, which are affected by a wide range of variables that interact dynamically with one another. Trying to engineer a rapid, controlled reduction in house prices would therefore be extremely difficult, and fraught with risk. Even if it were possible, because the UK economy is so closely intertwined with the housing market, such an approach would plunge recent buyers into negative equity, threaten the solvency of the banking system, and trigger a possible recession. Like all downturns, it would be the poorest who would end up suffering the most. Although not guaranteed, such an outcome would be sure to kill off any progressive political project, perhaps for a generation. And so while the long-term aim must certainly be to deflate the housing market, an incoming government must take a cautious approach. Sharp nominal reductions in house prices should be avoided. Instead, acting to stabilise house prices, and allowing wages and inflation to catch up, will bring real house prices and the house-price-to-income ratio down over time, without the associated fallout that would result from a sharp correction. In the short term, a rapid expansion of non-

market housing and sweeping reform of the private rental sector will provide relief to those suffering at the sharp end of the housing crisis.

Lastly, a final area of contention relates to whether public housing or community-led housing is the preferred form of non-market housing. However, this is a false dichotomy: CLTs and other forms of community housing should not be viewed as an alternative to an ambitious programme of public house building, but rather a compliment to it. A new approach to housing should avoid a one-size-fits-all approach and promote a variety of non-market tenures to suit different circumstances and tastes.

From here to there: strategy and implementation

Charting a new course will not be easy. There are many vested interests who benefit immensely from our highly financialised land economy who will resist efforts to transform it. These include private developers, the financial sector and – most difficult of all – ordinary homeowners.

As homeownership in the UK has increased over time, the number of voters with a vested interest in the buoyancy of the housing market has increased. Although homeownership has been falling for 15 years, it still remains the dominant tenure, with 60% of households owning their own home. For many of these households, the family home is the primary source of wealth, meaning that household net worth is inextricably tied to house prices. Moreover, many homeowners have become accustomed to ever rising house prices, viewing them as normal and just.

Given that the policies outlined above would likely put downward pressure on house prices, an incoming government will face a tension between resolving the problems of affordability for non-owners on the one hand, and maintaining the asset wealth of the majority of the electorate (and the profitability of banks) on the other. This presents a serious dilemma for any progressive government, which must be handled with care.

These complexities only serve to underline the importance of adopting a long-term, strategic approach, and avoiding any knee-jerk actions that would create large winners and losers overnight. On Day One, an incoming government should announce the key pillars of the new vision for land and housing, making clear how the future will be different from the past and what the likely implications will be for different stakeholders. Supply side reforms, such as reforming compulsory purchase laws, establishing the new Land Development Agency, commencing new public house building programmes and introducing a Community Right to Buy, should be implemented immediately without delay. Demand side measures, such as reforms to tax and financial regulation, should be phased in gradually over time to avoid generating instability and creating overnight winners and losers. This approach will provide banks and other financial institutions time to adjust their portfolios, revise their financial projections, raise additional capital and take other precautionary measures. It will also provide households with time to adjust to this ‘new normal’ without experiencing sharp changes in fortune.

Next steps

Waiting for a progressive government to take systemic action does not provide any relief for those suffering from high rents, insecure tenancies and the threat of eviction. Private renters in Britain are among the least protected in Europe, and as such there is an urgent need to improve security

and affordability in the private rented sector. Action that can be taken straight away includes organising more renters into one of the UK's tenants unions to increase bargaining power, and scaling up civil society pressure on the government to introduce caps on rent increases and greater tenant security.

There is also a need for a strong movement to oppose the ongoing sale of public land. Over the past four decades, it is estimated that around 2 million hectares of public land have been privatised, amounting to 10% of the entire British land mass.²⁷ With a value of around £400bn in today's prices, this dwarfs the value of all of Britain's other privatisations. Despite being in the grip of a housing crisis, the present government is proceeding with plans to sell off even more public land across the country.²⁸ A strong campaign to keep land in public hands, both at local and national level, could help prevent further sell offs and increase support for public housebuilding.

Finally, many of the problems identified in this chapter have been made worse by the UK's lack of transparency and information on land. Communities typically do not know how who owns the land around them, and there is no publicly available data on land values and land ownership. A campaign for greater transparency in the land market would therefore help highlight the problems of our broken land market, and provide an incoming government with better information to inform policy decisions.

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A Progressive Vision for Trade

by Ruth Bergan¹

The current trading system is fundamentally flawed because it demands that trade is put ahead of all other social and environmental goals. Increased trade is seen as an end in itself rather than a means of achieving other ends. This problem has its foundations in early international trade agreements, in particular the General Agreement on Tariffs and Trade (GATT) which was signed in 1947, and alongside other agreements, forms the basis of the World Trade Organisation (WTO) which was created in 1995. These agreements establish, amongst other things, the principle that no government policy should be “more trade restrictive than necessary to fulfil a legitimate objective”.² Bilateral and plurilateral agreements have built on these foundations, allowing almost every aspect of life to be marketised and traded, from health care to environmental and labour standards, and for investors to be given compensation should this marketisation ever be reversed.³

Despite their broad scope, trade deals are negotiated in secret. In the context of Brexit, the UK government has repeatedly argued that the UK should not ‘show its hand’ in negotiations, as though wide-ranging trade agreements impacting on millions of people were the equivalent of a card game between individuals.⁴ Deals are therefore designed by a limited group (overwhelmingly businesses) with little reference to the impacts of deals on things like the environment or labour standards.⁵ This leads to badly designed deals that are not in the interests of people and planet.

Under the UK’s current arrangements, parliament is given very little role in the negotiation of trade deals. It has no formal right to lay down binding guidelines for the government to follow in negotiations (a ‘mandate’), to scrutinise the negotiations as they progress, to amend or permanently stop trade deals and not even an automatic right to debate deals. The most parliament is formally entitled to do is, at the very last moment, indefinitely delay ratification.⁶

Despite the secretive and undemocratic nature of negotiations, and in stark contrast with climate, environmental and human rights agreements, trade deals are both binding and enforceable, with all the necessary tools to take action. States can bring cases against other states which can lead to retaliatory measures such as increases in tariffs and many agreements include ‘Investor-to-State Dispute Settlement’ mechanisms, which allow companies to sue governments if they believe that a policy or its implementation have negatively impacted on the profitability of their investment.⁷ These provisions have led to ‘policy chill’, whereby governments are reluctant to introduce policy measures for fear of incurring significant costs.⁸

The secrecy surrounding trade deals is one of the factors that has led to a significant bias in favour of large multinationals run for the profit of their shareholders and directors. Trade rules are increasingly designed to exclude states from owning or offering support to key domestic industries and disadvantage democratically-owned businesses.⁹ Governments are also increasingly unable to manage industries so that they serve the public good or use the profits from key industries (as opposed to taxes) as a source of revenue to support essential public services. This is contributing

to a global redistribution of wealth towards the powerful and to the failure of business to respond to key social and environmental objectives. For example, pharmaceutical companies spent just £527 million on neglected tropical diseases in 2012, against a total spend on research and development of US\$130 billion: market incentives combined with trade rules that defend the privatisation of knowledge (in the form of intellectual property rules) mean that ‘rich country’ health issues such as obesity and hayfever receive more private funding than those of poorer countries.^{10 11}

These factors have led to a trade architecture that is a major block to goals such as achieving climate justice, tackling human rights abuses or achieving food sovereignty. Countries have been subject to legal challenge for attempts to transition away from fossil fuels¹²; the excessive rights offered to investors can prevent the realisation of rights to land¹³ and water¹⁴, and attempts to mitigate food shortages have been stymied.¹⁵

The vision for change

Trade is a normal and often useful part of interactions between ordinary people. It allows us to access things that are not available in the UK including food, medicines and raw materials (anyone proposing that the UK should no longer import tea or that we should no longer wear cotton is likely to be laughed out of the room). The problem is that trade deals have been captured by a relatively small group with a narrow set of interests and their scope expanded to include a vast number of issues.

The foundations of a progressive trade system will be different. The over-riding principle will be that trade must be made to support social and environmental goals and that trade relations will not be based on the assumption that all aspects of life are open to marketisation. As such, trade deals will not be used as a vehicle for social and environmental policy; the scope of deals will be limited and significant areas, such as public services and environmental regulation, will not come under the auspices of trade deals. Instead, the core elements will be assessed for their ability to support social and environmental roles and deals will only be struck where there is a strong case that doing so will have a positive impact.

In order to achieve this purpose, trade deals in a progressive system will be made explicitly and legally subordinate to social and environmental commitments and will allow national and international communities to shape these commitments and their implementation without impediment. Some of these commitments are recognised in international agreements, such as the need to halt climate change, achieve decent labour standards and protect human rights, while others will be defined by national contexts or between negotiating partners.¹⁶

To address the significant power imbalances in the current system and to ensure it adequately reflects the rights and wishes of the majority, careful thought must be given to the decision-making structures that are created to support it. A progressive approach will ensure that parliament and local decision-making structures are given a much stronger role in the scrutiny and approval of trade deals. It will also ensure that citizens are actively engaged in trade policy and have the opportunity to do so at every stage of the development of trade deals. This will be through citizens’ assemblies and scrutiny committees, who will track the development of deals and assess their impact once they are in force.

There will also be no assumption that a trade deal is desirable. The first question that a progressive trade policy will need to address is whether and in what circumstances a deal is necessary. For example, it would not be appropriate for the UK to conclude a trade deal with a country where there are concerns about human rights abuses or environmental destruction. When a trade deal is considered to be desirable, there will be clear limits on the areas that it covers. For example, areas such as public services, domestic regulations, migration and data privacy will be excluded. This is because these areas should not be subject to market principles and must remain fully in the hands of citizens.

Progressive trade policy will also be designed as a tool for global wealth redistribution. Where appropriate, preparations for trade negotiations will include support for countries to ratify and implement key human rights and environmental agreements and for domestic capacity to be built in areas such as the production of medicines and green technologies. In some circumstances, for example where there are significant disparities in wealth, countries will be offered access to UK markets without negotiating a trade deal so that there is no requirement for reciprocity.¹⁷

Developing policy options

1. Democratic control over our trade system

Democratic control over our trade system has long been a demand of the movement for trade justice. It is particularly important in the current context, where trade rules no longer cover only goods but have been extended to encompass everything from regulatory standards to healthcare and education. However, even in a context where the scope of trade deals has been significantly reduced, they still have important public policy implications, for example the labour rights and environmental standards in the production of tea or cotton, and therefore should be shaped by democratic processes.

Ensuring democratic control over our trade system means that the public and parliamentarians will be engaged at all stages of the development of trade policy and trade deals. Public forums and parliamentarians will shape the aims of deals and recommend safeguards against any potential negative consequences. This will allow a broad range of expertise to be debated and taken into account, leading to better policy overall. A democratic trade system will include:

- A public right to be engaged in the process of developing the parameters of a trade deal (the mandate) and to scrutinise texts as the negotiations progress. In the initial stages, as broad a range of views as possible will be sought to influence the aims of the deal. Proposals from this engagement will shape the trade deals, including the possibility that no deal is negotiated. A citizen's forum representative of the public and civil society organisations will be set up to facilitate the process of engagement. The forum will have a remit to scrutinise trade policy, negotiating mandates and texts; it will also appoint representatives as observers in official trade delegations. There are some precedents for this kind of engagement. For example, the Cotonou Agreement sets out a legal framework for the participation of non-state actors in trade negotiations.¹⁸ This enabled non-state actors to be included as observers in official delegations from a number of countries during negotiations towards Economic Partnership Agreements (EPAs).¹⁹ The Bolivarian Alliance for the People's of Our America (ALBA) includes a council of social movements which (in theory) have the same standing as

government ministers.²⁰ Lessons could also be learnt from the Irish experience of establishing a Citizen's Assembly to consider a number of legal and policy issues.²¹

- The right of Parliament to set a thorough mandate to govern each trade negotiation, with a remit for the devolved administrations. Under current UK legislation, the Government decides which trade negotiations it will undertake and sets the mandate for the negotiations, while Parliament is given no role in this process. Having oversight of this process is normal in other settings, for example at an EU level the European Council (which consists of representatives of all member states) agrees the mandate for negotiations.
- Full transparency in negotiations. The texts of negotiating documents will be made available at the earliest possible opportunity so that members of the public and parliamentarians are able to scrutinise them and provide input. Whilst there are no 'gold standard' examples of this happening, the UK lags a long way behind a number of other institutions. The EU has taken some steps towards greater transparency, releasing some negotiating documents, particularly to MEPs²²; the US has committed to publish negotiating objectives, impact assessments and negotiating texts; and the WTO publishes submissions made by member states during negotiations as well as reports by the different committee chairs.²³ Other negotiating bodies go much further; for example, the United Nations Framework Convention on Climate Change publishes negotiating texts and submissions from parties prior to the start of its negotiations, and draft texts were also released as negotiations progressed during the Paris talks.²⁴
- The right of Parliament to amend and reject trade deals, with full debates and scrutiny guaranteed and a remit for the devolved administrations. Parliament's role will include the ability to: review and recommend amendments to negotiating positions in advance of the negotiations; review impact assessments and make recommendations about whether the Government should proceed with negotiations and scrutinise and recommend amendments to draft agreements. The ongoing scrutiny would most likely be delegated to a committee of MPs with a full debate and vote taking place at key moments in negotiations, in particular the setting of the mandate and the conclusion of negotiations.
- The right of Parliament to review trade deals and withdraw from them in a timely manner after the signature of the deals. This is an essential final piece of the picture: whilst countries are technically able to withdraw from trade deals at any time there are in practice few formal opportunities to do so. A progressive trade policy will include automatic review periods of approximately five years, which will involve debate and assessment by the citizens' forum and the committee of MPs to consider actual against predicted impacts. Similar civil society scrutiny bodies for existing trade deals such as that with 'CARIFORUM' (a Caribbean group of countries) already exist at EU level, although with very limited powers.

2. A trade system that is about trade

Trade agreements have come to encompass too many sectors, and in particular they often reach too far into public policy areas. A progressive trade policy must reverse this because some areas of life are best run outwith a market system.

A progressive trade system will:

- Exclude public services. Current trade deals require the liberalisation (opening up to competition from companies based in the partner country) of any public service that has already been privatised and that this liberalisation must not be reversed. Any privatisation that happens after a deal has been struck is automatically locked in if a deal contains a ‘negative list’.²⁵ This precludes taking back into public ownership services that are privatised. A progressive trade policy will recognise that communities must remain free to decide for themselves the best way to provide public services such as education, health care and water. The presumption will be against the liberalisation of services and any liberalisation that is undertaken will be fully reversible.
- Exclude regulation. There has been an increasing trend towards including ‘regulatory cooperation’ or ‘mutual recognition’ in trade deals.²⁶ This means that countries agree to consult with trade partners on any proposed new regulation, for example in respect of food or environmental standards. In effect, it diminishes the influence of citizens and parliamentarians and increases that of international business and third countries. A progressive trade policy will ensure that decisions over regulations and standards continue to be taken by elected representatives and that citizens retain their right to debate and influence them.
- Treat food and agriculture as more than commodities. Current discourse around trade and food tends to be framed in terms of ‘agricultural commodities’ and the need to ‘drive down prices for consumers’.²⁷ This reflects the industrial model of agriculture and excludes important considerations such as the environmental impacts of food production or the kinds of farming that might be most socially useful. A progressive trade policy will respect food sovereignty and the close links between the food system and policy areas such as tackling climate change, livelihoods and health. There will not be an assumption that food and agriculture can always be opened up to liberalisation and the elements of production that will be included in trade deals will be decided carefully on a case-by-case basis.
- Not be used to deliver policy on the movement of people. Rules contained in ‘Mode 4’ of the WTO General Agreement on Trade in Services (GATS) cover aspects of the movement of people.²⁸ The net result of these rules has tended to be that the world’s elites have easier access to visas for work than everyone else. The movement of people has no place in a progressive trade policy.
- Exclude rules on intellectual property. Intellectual property rules cover everything from medicines to seeds and offer huge dividends to companies for knowledge that was often already available to local communities, or that should be treated as part of the commons due to its significant social benefits, for example vaccines.²⁹ At the same time, intellectual property rights can be an important part of countries’ industrial strategies where they support the development of new industries and help to create jobs. Countries must therefore retain some freedom to maintain limited intellectual property rights, however their inclusion in trade agreements tends to have the effect of reducing access to important public goods such as medicines and seeds. Progressive trade deals will instead rest on the

assumption of maximum sharing of research and technological innovations with partner countries as part of the global commons, with time-limited carve outs available for vulnerable sectors.

- Not offer protections to international investors. Current provisions within trade deals offer excessive protections to international investors that give them an unacceptable level of influence over policy making.³⁰ Investment protections will not form part of future trade deals; investors will instead be required to undertake due diligence to ensure an investment is in line with social and environmental goals, and then seek private political risk insurance at their own expense.

3. A trade system that works within ecological limits and supports social goals

A progressive trade policy will ensure that trade is made to work in the interest of environmental and social goals. Trade deals will be made legally subordinate to commitments on the environment, climate change and human rights instruments. This will take account of both international commitments and those made at national and regional level. However trade policy will not be used as a primary tool for defining and enforcing social and environmental goals; references to the latter in trade policy will be made with the sole intention of defining the scope and subordinate legal status of trade agreements.

To ensure that this is fully effective, it will be a precondition of any trade agreement that parties have ratified and are implementing international climate, environmental and human rights agreements. This provision will sometimes mean that the UK and partner countries will spend a period of time working to increase or improve social and environmental commitments before trade negotiations can commence: negotiations on environmental and social goals will be given precedence over trade deals. For example, countries may wish to raise the issue of UK greenhouse gas emissions or arms sales to repressive regimes, the UK might raise with countries such as the US the fact that they have not signed up to International Labour Organisation (ILO) conventions on forced labour, child labour and freedom of association; the partners would work together and trade talks would not begin unless and until the issues had been addressed. A mechanism will be established to ensure countries with limited resources are not disadvantaged by this process.

Trade in goods or services that threaten the climate, environment or human rights, such as those that might threaten land redistribution, access to water, contribute to a 'race to the bottom' on labour rights or to repressive practices such as the curtailment of freedom of assembly will be banned. Where an immediate change could have significant negative consequences, such as creating unemployment with no mitigation strategy in place, and where halting trade in these areas is considered less urgent, such trade will be phased out with a timeline that allows for mitigation strategies to be put in place. Trade deals will incorporate the precautionary principle, such that goods that have not been proven to do no harm will not be traded.³¹

A mechanism must be established early in the development of any trade deal to take companies to court if communities believe their practices are in breach of any of the above agreements. Tribunals consisting of citizen and parliamentary representatives will have the power to impose fines, trade sanctions or the suspension of trade agreements where a breach is identified. A formal procedure will be put in place so that citizens can take cases through the advisory body outlined above, with

a view to suspending elements of a trade deal or the deal in its entirety if a breach of the above commitments is found to have taken place. Funding will be made available to ensure citizens have the necessary resources to do this.

There is already a negotiating process underway at the United Nations for a UN Treaty on Transnational Corporations and it is hoped that, if agreed, this treaty would set up an international court through which it will be possible for communities to hold multinationals to account. An important part of a progressive trade policy will be to support the process and ratify an eventual treaty. Eventually, ratification of the treaty will be a precondition of negotiating a trade agreement and the planned UN Court on Corporate Crimes will be referenced.³²

Positive incentives will also be included in progressive trade deals. The first stage of any trade negotiation will be to share green technologies and expertise in areas such as human rights and labour standards so that both parties are able to improve their practices. A 'business passport' will be introduced which allows businesses to access a wider range of trade benefits (such as lower tariffs or the ability to bid for government procurement contracts) the more they are able to demonstrate positive environmental and social impacts: in effect, the 'trusted trader' scheme will be improved to become an 'ethical trader' scheme. Trade access credits would be earned for example for: payment of a living wage throughout supply chains, limits on disparities between the wages of the lowest and highest paid workers and use of renewable energy.

4. Trade that redistributes wealth globally

The UK's international trade relations have deep roots in its colonial past. The UK "instituted a strong set of policies intended to prevent the development of manufacturing in the colonies."³³ The aim was to limit the colonies' production to that of raw materials which would be shipped to the UK where the more valuable manufacturing processes would be undertaken. The legacy of this and other measures persist today as countries, particularly in the global South, are prevented by the trade regime from developing domestic industries (such as processing and packaging tea) that would allow them to benefit from the more valuable aspects of trade.³⁴ Trade policies can also limit countries' ability to strengthen local economies and regional and South-South trade.

This means that the UK bears a particular responsibility to address the current significant inequalities between countries. In addition to the measures outlined in previous sections that would ensure the sharing of research, technology and expertise in key sectors, a progressive approach to trade will offer unilateral preferential market access in certain circumstances.

A similar system, called 'Everything But Arms' is already in operation at EU level; it offers ACP countries duty-free access to EU markets.³⁵ However, the current EU system has a number of weaknesses that make it ineffective as a tool for redistribution, for example an arbitrary cut-off point for the inclusion of countries which fails to take account of levels of exposure to commodity price fluctuations or to extreme weather events and offers no flexibility in terms of emerging industries.³⁶ A new progressive UK system will go further than the EU system. It will establish more generous criterion by which countries will be eligible for access to UK markets to include a larger number of countries. The UK also will simplify the rules that countries need to follow to make the scheme easier to use.³⁷

A progressive trade system will allow partner countries to develop industrial policies without impediment. This means that nothing in a trade agreement will prevent governments from choosing to support particular sectors, whether that means high-risk investments in emerging and capital-intensive manufacturing or support for industries and sectors that can be relied upon to provide employment and export earnings. As with the private sector, government innovations are not guaranteed to be successful but almost all industrialised countries have either used in the past or continue to use interventionist measures to support their industries, for example by supporting research and development or offering low-cost financing.³⁸ A progressive approach to trade will reverse the EU's current practice of imposing higher tariffs on manufactured goods, as compared with unprocessed materials, from countries from the global South.

All trading partners will remain free to choose their own mix of public and private participation in industry. Trade agreements will actively promote the possibility of creating public-public partnerships where there are obvious concentrations of expertise or experience. They will be proactive in supporting democratic ownership models for industry and services, and trade agreements will contain nothing that precludes the use of taxation, such as a financial transaction tax, to fund the above.

Tensions and debates

Developing an alternative vision has proven challenging for organisations and communities that are engaged in work on trade. The ideas outlined above therefore need much more debate and discussion to identify potential weaknesses and contradictions. One of the barriers to this kind of work is that preventing the worst excesses of the current system generally seems more urgent. The kinds of alternatives outlined above also tend to feel a very long way from political reality.

More recently, right-wing politicians have adopted positions that appear to align with some of the ideas outlined above. One of the most notable examples of this is President Trump's withdrawal of the US from the Transatlantic Trade and Investment Partnership (TTIP – a proposed EU-US deal) and the Trans-Pacific Partnership (TPP – a deal between 11 Pacific countries), claiming that doing so was “a great thing for the American worker.”³⁹ Nigel Farage also railed against TTIP because it was “about a giant market place where giant corporates can dominate.”⁴⁰ This is a significant challenge to those wishing to get broad support for a progressive agenda as it allows supporters of neoliberal policies to attack that agenda as ‘populist’. It is therefore important to differentiate the proposals such as those of Trump and Farage, which are generally put forward as part of an ostensibly nationalistic, often-xenophobic agenda, from a progressive one based on principles of cooperation and mutual benefit.

There are a number of fundamental questions that the movement for trade justice has not yet managed to resolve. It has been difficult to find consensus on what the scope of trade and trade deals should be. For example, at one extreme, it is sometimes suggested that trade deals should be used vehicle for environmental and social policy,⁴¹ at the other that trade deals should not exist at all and that the principle of subsidiarity (whereby production and exchange, as well as decision-making, happen at the most local level appropriate) would drastically reduce, if not eliminate, all trade.⁴² The ideas outlined above reject the idea that trade deals are an appropriate vehicle for social and environmental policy but envisage the continuation of trade, albeit with much more

careful thought given to the circumstances under which it is desirable and a clear role for citizens to choose for there to be no deal or a deal with only very limited scope.

A major challenge for the trade justice movement globally has been the tension regarding whether the North is attempting to impose standards on the South in a way that is protectionist. For example, this has been an issue where countries in the North have argued that higher tariffs should be placed on more carbon-intensive goods; some countries fear that they would lose valuable market access as they lack the resources for research and development that would allow them to identify new technologies and production methods and countries in the north have been reluctant to share them.⁴³ It has however also been argued that the picture is more complicated than one of a simple 'North-South divide' with competing perspectives within movements of the north and south alike.⁴⁴ The above attempts to strike a balance whereby the UK is able to move towards a more progressive approach to trade whilst not disadvantaging existing trade partners.

The WTO also looms large in debates about trade: a long-held position of the international trade justice movement has been for a fundamental rethink of the purpose and powers of the WTO and many of the biggest trade mobilisations have been in response to its negotiating rounds. At the same time, activists also defend the need for a multilateral system as a way to balance global powers. The approach to trade outlined above is at odds with WTO agreements and would most likely be challenged through its dispute mechanisms but withdrawing from the WTO could cause significant economic and social disruption. Whilst it might be possible to form alliances with countries who have particular interests in aspects of the above agenda, it is unlikely that the UK would hold sufficient sway to be able to pursue it without challenge. There are no easy answers to this and whilst Brexit means the UK will need to renegotiate its position at the WTO, this is unlikely to offer the genuine possibility to prepare the ground for a more progressive approach.

From here to there: strategy and implementation

The neoliberal economic model has become mainstream in a way that makes discussion of alternative approaches to trade extremely difficult. This discourse presents increased liberalisation and free trade as always and inevitably a good thing. Ranged against the kinds of proposals outlined above are therefore a significant group of economists, think tanks and a large proportion of the media, many of whom benefit directly from the current system. The trade system is also viewed as the preserve of business and there to promote its interests, therefore there is also a huge constituency of businesses and legal firms who would find the above agenda deeply threatening.

For these reasons, it has been extremely difficult to create the space for discussion of a progressive approach. Civil society and politicians seeking to promote it need to do more to create this space so that the ideas can be fully developed. An important part of this will be citizen education about the nature of the current trade system, to ensure well-informed debate and to begin to address the imbalances of power caused by the secrecy of the system.

There are a number of things that a progressive government could do on day one to take us closer to this vision:

- Implement measures to ensure democratic control of the trade system. Proposals similar to those outlined above received support from 284 MPs from five political parties (314 from two parties voted against) when the UK Trade Bill went to the Commons in July

2018. The proposals also have broad support across civil society organisations, including unions, international development and green groups.

- Exclude Investor-state dispute settlements (ISDS) from UK trade policy. This would mean that such provisions would not be included in future trade deals and that the UK would seek to cancel its existing agreements. Alternative arrangements to protect investments in other countries already exist in the form of, for example, domestic court processes and political risk insurance. Other countries, including New Zealand, South Africa and Brazil are already pursuing alternative approaches.⁴⁵
- Halt negotiations on all trade deals until a progressive trade policy has been fully agreed.
- Start work on legislation to make social and environmental commitments legally binding on UK trade agreements. This is likely to require the strengthening of social and environmental commitments, including the full application of the precautionary principle.
- Offer unilateral preferential market access to countries that already receive it under current EU arrangements and start work on a new, more generous UK system.

In the medium term, a progressive government will need to develop, through a process that involves citizens, a new trade policy designed to actively support social and environmental goals.

Next steps

Steps that could be taken immediately, in the absence of a government supportive of the above ideas, include: setting up a citizen's assembly to discuss and debate the purpose and scope of trade, to create a people's mandate for trade and research to model ideas such as the ones outlined above so that their impacts can be assessed and any unintended consequences addressed.

To lay the groundwork for real change in this area, the left need to find ways to generate a sense of excitement about the kinds of ideas that are outlined above. It will need to overcome the obstacles posed by the distance between such ideas and the status quo, and the dominance of the neoliberal agenda. Tackling some of the thorny issues, such as creating a narrative that is clearly differentiated from that of the right, will be crucial. Without this, it will be too easy to dismiss these ideas as 'populist' or 'protectionist'.

Campaigns against deals like the Transatlantic Trade and Investment Partnership (TTIP – a proposed EU-US deal) have done a lot to revive activism on trade policy in the UK and Brexit has provided another focus for energy. Ideas around democratic accountability, the need to dismantle ISDS and to offer more generous preferences to particular countries already have significant support. There are therefore strong foundations to build on to win increased support for a more holistic vision of a progressive approach to trade.

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‘Race’ and Racism in the UK

by Maya Goodfellow¹

To understand the terrain of race and racism, UK society need look no further than the extensive evidence on racial inequalities. Research from the Joseph Rowntree Foundation in 2015 found that improved outcomes at the level of education don’t necessarily mean more success in the labour market. For example, education doesn’t stop people of colour from being paid low wages, while Black and Minority Ethnic (BME) workers are more likely to be overqualified for the work they do (data suggest this has also been the case for many people of colour who migrate to the UK²). People of colour are more likely to live in poverty; and are more likely to be in insecure work than their white counterparts.³ In addition to this, among people of colour who are middle class in the UK, it is more difficult to achieve success in the labour market.⁴ Recent research found between 2010 and 2015 the number of young people from minority ethnic backgrounds who had been unemployed for more than a year had risen by 49%, while over the same period there was a 2% fall among their white counterparts.⁵ Other research conducted in 2015 showed that people of colour frequently experienced racism in their workplace – whether from colleagues, managers, customers, clients or service users – and highlighted the “severe impact” this can have on peoples’ emotional and psychological wellbeing.⁶

Since the coalition government implemented austerity in 2010, which has been continued by the subsequent Conservative-led governments, women of colour have been the least talked about in the debate but most likely to suffer economically. Research from the Runnymede Trust and the Women’s Budget Group found that by 2020 low-income black and Asian women, who are more likely to be working in public sector jobs, will have lost nearly double the amount of money as poor white men. This research also found that by 2020, Black and Asian households in the lowest fifth of the income distribution will see a real-terms average annual loss in living standards – £8,407 and £11,678 respectively. This is not a new phenomenon: since 1980s women of colour have experienced consistently higher unemployment rates than white women. And according to a 2012 All Party Parliamentary Group report, women of colour experience discrimination “at every stage of the recruitment process”.⁷

Another way to make sense of racial inequalities is to look at the way that people of colour are treated in British society. In 2017, research showed that Black people are eight times more likely to be stopped and searched by police than their white counterparts in England and Wales. One 2010 report found that Black people are disproportionately represented in the prison population, even more so than in the US.⁸ And black children are also much more likely to be excluded from school. This highlights how at different times, particular groups experience certain forms of racism more acutely. For instance, some Muslims say the UK Government’s Prevent strategy has made them feel like they have been treated unfairly, stereotyped and socially excluded.⁹

These statistics offer just a small glimpse at how institutional racism manifests itself in the UK. Racism is evident in economic, social, and political structure, which themselves are intermeshed, and its institutional nature helps to normalise racism, which translates into racial inequality in housing, employment, health and education. And on top of all of this are overt forms of racism, which after the EU referendum have become increasingly visible according to hate crime statistics.

The 1965 Race Relations Act and the 1968 Race Relations Act made it illegal to discriminate on the grounds of 'race'. This was strengthened by the Race Relations (Amendment) Act 2000. Their importance should not be underestimated.¹⁰ But despite these pieces of legislation and the changes they ushered in, there is still persistent and deeply ingrained racism at every layer of society.

But 'race' and racism don't exist in a vacuum. As well as intersecting with other social categories like gender, sexuality and disability, they are tied up with ideas of the nation, and also intersect with migration. We only need to look at the EU referendum to see how this plays out. The Leave campaign was structured at once around a longing for Empire, and at the same time a startling amnesia over its realities.¹¹ It erased the very racism that made up the colonial project, and the racism and forms of colonial power that have continued after. In the wake of this campaign and the referendum, it was people of colour and migrants who were told to "go home" and who were, verbally and physically attacked.¹² Issues of 'race' and migration are not always the same, but there is an intersection where particular groups of migrants, in particular migrants of colour and people who are or are thought to be Muslim, are treated as threats to the state. This has intensified in recent years, as academics Satnam Virdee and Brendan McGeever argue, "racialised nationalism has become particularly defensive after the 2008 financial crash, the neoliberal consensus was unsettled and the far-right have benefitted from this in a significant way".¹³

Racial injustice and anti-immigration politics in the UK manifest in a multitude of ways, but include demonisation and maltreatment of migrants, the persistence of significant racial inequalities – themselves a product of racism – imperial nostalgia and a national identity that is tied to whiteness. This chapter will predominantly focus on 'race' but will also make reference to migration, which needs particular further work.

What needs to change?

One of the main problems with how 'race' and racism are understood in the UK is that it has been individualised. Racism is discussed when an individual person is discriminated against, but it is also more often than not understood as the act of an individual person, usually seen as a 'bad apple'.¹⁴

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This fixation on the individual is not necessarily new, but in contemporary UK politics it can be partly understood through what academic David Theo Goldberg calls "racial neoliberalism", which connects the economic privatisation with the privatisation of 'race'.¹⁶ Transferring this across to the UK context, academic Nisha Kapoor explains how this works:

"while the project of neoliberalism avoids any acknowledgement of racialization and state racial arrangement [...] it simultaneously enforces racial structures through policing and militarization, legitimizing such actions under the banner of the 'threat of terror'."¹⁷

Kapoor tracks the recent history of how this has operated including the muting of ‘race’ following the Macpherson report (a public inquiry into the investigation of the murder of Stephen Lawrence) and how there were efforts to depoliticise the state. This means that as ‘race’ and racism have become more ambiguous in public debate, and racialised techniques of control are normalised and considered increasingly reasonable, “the institutionalization of racist practices has become ever more difficult to name”. What all of this does it erase historical and contemporary processes of racism and discrimination and sustain “white supremacy by asserting that the privileges of the privileged are fair”.

Thus, the institutional nature of racism is rarely engaged with sufficiently. For instance, the Conservative government carried out a ‘race disparity audit’ in 2017,¹⁸ which simply further confirmed the nature of racial inequality in the UK. But there was no real, thoroughgoing engagement with institutional racism. In particular – as some said the Macpherson report implied – institutional racism is often seen as an accident or the result of passivity, not produced and embedded in institutional norms.¹⁹ Thus there was and is rarely a recognition that Britain’s imperial history has played a significant role in solidifying racial categories and hierarchies and embedding racism in the UK, or that institutional racism is actively produced. So racism needs to be understood as something that is created and that is a product of this country’s past, not an accident or only an individual failing.

A move that needs to take place, then, is challenging and changing the conventional understanding of ‘race’ and racism in UK politics, as well as always putting questions of racial inequality at the heart of policy making. Underpinning any policy, then, should be a recognition that racial inequality and racism are deeply embedded in British society. They are not only products of individual failings but institutionally embedded. And coming with this, given the relationship between ‘race’ and migration, needs to be a fundamental challenge to the thinking that migration is a ‘problem’ to be dealt with and that it is necessary to ‘control’ immigration in order to achieve racial harmony.

Policies for tackling racial inequalities

Efforts to deal with racism and the racial inequalities that flow from it have to be multi-layered; the way society is currently structured impacts people of colour in numerous negative ways and racism is deeply embedded into British institutions. Potential policies to at least mitigate the impacts of this institutional racism extend far beyond the scope of what is outlined in this chapter. But covered below are numerous different strands that could be explored. None of these are necessarily ideal, and they can be extended and modified in line with wider economic shifts.

1. Removing damaging policies

Firstly, a somewhat straightforward action would be to roll back or abolish policies that have been disproportionately negative for people of colour. This would include:

- ending austerity, which has negatively impacted women of colour the most;
- getting rid of employment tribunal fees, which can make it more difficult to hold employers accountable – both generally and in relation to racial discrimination cases;
- increasing state support for people across society;

- ending the hostile environment programme, evidences suggests this disproportionately impacts people of colour and make life more difficult for people without documents;
- ending ‘stop and search’, instead investing money in youth services; and
- exploring ways to end the Government’s Prevent programme.

In this vein, the Runnymede Trust has also advocated for the Government to adopt their definition of Islamophobia as anti-Muslim racism, which would help connect up policies to tackle Islamophobia and racism and recognise that Muslims are sufficiently discriminated against.²⁰ In addition to this, while policy making requires the relevant government department to consider whether there is a need to carry out an equality impact assessment of the proposed policy, this doesn’t drive the process or the debate surrounding the final decision. Any universal policies implemented by Government should therefore contain clear measures of how they are benefitting marginalised groups.

There should also be a strengthening of equality legislation, which has been watered down. While the Race Relations (Amendment) Act 2000 deemed that public bodies had to monitor and take steps to eradicate racial discrimination, the 2010 Equality Act meant that they could decide which areas of inequality were a priority. It’s therefore been suggested that equality and anti-discrimination law should be better implemented.²¹

2. Rejecting ‘integration’

When ‘race’ is mentioned in policy debates, it is often talk about with reference to ‘integration’. This is a loaded and unhelpful term. The way it has often been used in the current policy debates actually ignores how ‘segregation’ along racial lines is not increasing. In fact, a 2013 study found that “[t]here is increased residential mixing between the White British and ethnic minority groups and, while White British segregation has increased slightly in many districts, segregation remains low for this group”.²²

Policy efforts should be focused on looking at racial inequalities in the labour market, as well as in other areas of life – like housing and access to public services. Existing work suggests this would mean improving access to quality and good jobs for people of colour and, in particular, women of colour, which could also include creating the time for people to engage in community and adult education, which itself would need sufficient funding.²³

The Runnymede Trust has advised that the government should reintroduce a target to reduce child poverty, and develop a wider anti-poverty strategy since over half of Bangladeshi and Pakistani children live in poverty, and poverty rates among Muslims generally are much higher than the average. They have also suggested that government should provide race equality training across significant parts of the public sector – including in schools and in the criminal justice system – in order to at least attempt to challenge racial stereotypes. Indeed, research has found significant problems with these areas in particular. For instance, work from Runnymede and CoDE has found a lack of diversity in teaching staff and a lack of engagement with parents.²⁴

Part of this could also include challenging popular notions of ‘multiculturalism’. Multiculturalism is a slippery word used in different contexts to mean different things. It has been attacked in recent years for supposedly undermining ‘social cohesion’, but it has also in recent history been

understood in such a way that ‘cultural’ mixing has been promoted while material racial inequalities have been overlooked or the underlying ideas behind a national identity tied to a white identity have been ignored. Academic Paul Gilroy has argued how in many parts of the country multiculturalism – people of different races and ‘cultures’ mixing and living alongside one another – is a normal part of social life.²⁵ This does not mean racism and racial inequality are not widespread but this is perhaps a more helpful way of thinking about multiculturalism as it challenges the idea that underlies some discussion of racism and migration, which is that people are naturally less likely to get along with one another because of race or religion.

3. Employment inequality

There is also scope to strengthen legislation on employment outcomes. This might include rewarding organisations for demonstrably focussing on race equality, for example those that promote women of colour in equal proportion to their white male counterparts, especially at senior levels, and ensure they earn the same salaries.

The public sector must become a model employer in terms of promoting equal outcomes, and where outsourcing has not been reversed, use its power as a purchaser of services to encourage better practice in the private sector. That might mean requiring mandatory reporting of pay gaps by ‘race’ as well as gender in large organisations, and involve taking active steps to use data to report on improvement in annual reports. Manager appraisals and pay rises could also be linked to success in supporting employee of colour.²⁶

The Conservative Prime Minister David Cameron called for application forms to be anonymised for all employers, but the public sector could go further by ensuring that all selection panels have independent and diverse panel members sitting on them. There should also be greater scrutiny regarding outcomes for non-executive director and senior executive posts, with fines or penalties if the Equality and Human Rights Commission (EHRC) do not regard outcomes as equal. Researchers at the University of Manchester have advised that there should be ring-fenced funding to support the EHRC. They also recommended that employers across all sectors should practice an unequivocal zero-tolerance approach to racism; that the government should introduce legislation whereby any organisation delivering on a public sector contract and government must be subject to an Equality Impact Assessment; and that there should be proposals for an annual government review into the nature and scale of racism in the workplace and racial inequality in labour market participation.²⁷

In terms of equal treatment, independent investigations into accusations of racism or unfair treatment should be the norm. And when there are alleged cases of racism or other forms of discrimination, those impacted should be asked to give specific feedback on the process.

Other non-employment related policy efforts might include a voter registration drive, including Commonwealth and Pakistani citizens, which might help to add some of the 400,000 missing BME voters onto the electoral register.

4. Changing the narrative

Significant change is not simply going to be achieved by implementing measures to curb racial discrimination. One of the major problems with regards to ‘race’, racism and migration in the UK

is the romanticisation of this country's history; and a dearth of understanding around what 'race' is and what constitutes racism. Thus it should be part of the national curriculum to teach children about the history of colonialism and this country's history of migration. Better representations of the UK's diverse histories should be included in the curriculum, this would help to challenge the notion that the UK was historically a white nation. This, in fact, could filter all the way up through to higher education, where these histories may be taught but the curriculum remains incredibly Eurocentric and white.²⁸

This would more broadly help to put anti-racism at the centre of all levels of education. At all levels and across the UK, curricula should be taught from an anti-racist perspective by staff who reflect the make-up of UK society. There should be a valuing of, not fear of, multilingualism, and all languages that are already spoken within the UK should be taught in schools from early years up to an advanced level, making this a norm. This approach would strengthen the multiple identities that already exist among people in the UK.

Alongside all of this, much more consideration needs to be given to the UK's brutal and draconian immigration and asylum system. There are a number of relatively straightforward measures that could be introduced, such as admitting more asylum seekers into the country, bringing back sufficient state support for people waiting on their claim and giving them the right to work, and taking asylum provision – such as housing – out of the private sector and back into the public. There is also a need to close down the UK's detention estate, which is the biggest in Europe. In addition to this, the immigration system more broadly needs to be entirely changed – existing rules are too complex and too harsh, and thus could be simplified and made less stringent. For instance, Government should make it so that people have access to the same rights regardless of where they were born.

Tensions and debates

Some of the key challenges regarding 'race' relate to just how deeply embedded racism is in the UK, and the ongoing unwillingness to engage with this. Another factor that is not entirely unrelated to this is the decades of anti-migration politics that have normalised anti-migrant sentiment across the UK.

Because policy changes will ultimately be carried out by a state that is institutionally racist, the reality is that change will not simply come from policy alone, but must also involve grassroots anti-racist struggle. In some cases, the policy recommendations that have been discussed are ways to mitigate racial inequality in a system that is fundamentally racist and ultimately economically exploitative.

However, existing alongside these important tensions – which should be engaged with further – there will be hostility to policies that seek to mitigate racial inequality and racism in the UK. This hostility may come from people who believe that trying to implement some of these reforms amounts to disadvantaging white people. In particular, there will be some resistance to including the Empire and Britain's migration histories as a compulsory part of the curriculum, and towards the introduction of anti-racist teaching. These are particularly significant issues, which go to the heart of relationship between whiteness and national identity and the normalisation of the racial hierarchy.

Part of the resistance will also come from people who pit ‘race’ and ‘class’ against one another. However, as work from the think tank CLASS and the Runnymede trust has showed, alongside a number of academics, it makes little sense to talk about the ‘white working class’. But this has become a common part of political lexicon.^{29 30} These are not just issues in the ‘mainstream’ but also within the political left, where there are people who sign up to a politics that sees the world through a lens of whiteness, and/or who believe that challenging these ideas are electorally too difficult. Arguably, change must then begin within the party political left, by ensuring that anti-racism and migrant justice are always central to political demands and organising.

Strategy and implementation

There are a number of considerations regarding strategy. From the initial days of a progressive government there could be efforts to pass legislation that would tie funding allocation for public sector organisations to outcomes for race equality and appointing senior, independent people – including people of colour – to drive through the kinds of changes outlined above. Legislating as soon as possible to allocate more, ring fenced funding to the EHRC would also help to achieve these changes. Some of these responsibilities might also fall to the Minister for Women and Equalities, but as part of this there should be sufficient funding and staffing allocated specifically to think about racial inequality and so responsibility does not simply lie with one minister, other departments should also be woven into these strategies.

In the 1980s when the Greater London Council attempted to implement anti-racist policies and when they had an anti-racist year, people opposed to this – predominantly but not exclusively those from political right – used the media to claim anti-racism was akin to the National Front. As noted above, this kind of resistance continues to exist and would intensify with significant policy change. Therefore, there would need to be plans for substantial educative change for long-term change, which could begin prior to coming into government.

Next steps

For all of this to happen there needs to be further discussion about the challenges and potential solutions with regards to racial and migrant justice, engaging much further with the significant amounts of existing work on these subjects and dedicating more time and resources to working on policies regarding race inequality, in particular in relation to institutional discrimination in the public sector. This would also include clear understanding of the significant limitations – consulting with anti-racist grassroots groups, who do crucial work at times outside of the realm of parliamentary politics, and existing racial equality and migrant justice organisations like Runnymede Trust, Race on the Agenda, Show Racism the Red Card and Migrant Justice Network. There should not be an expectation that such groups need to be folded into the labour movement, but learning from existing work organisations like the Racial Justice Network and letting peoples’ expertise inform and shape policy approaches.

One immediate aim could be ensuring that messaging in political handbooks, such as those produced by Momentum, do not shy away from attempting to engage with issues of racial justice and do not encourage activists to avoid – and thus implicitly reinforce – challenging anti-immigration tropes that they might encounter on the doorstep.

To think about challenging dominant ideas of whiteness in the long term, this might also include an education campaign around colonialism and the British Empire or campaigning to ensure that both are taught critically as part of the curriculum. Achieving significant change on 'race' and migration requires long-term attitudinal change, as well as implementing more immediate measures to support people systematically discriminated against.

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Endnotes

- ¹ Maya Goodfellow is a writer and researcher. Her work mostly focuses on politics, immigration, gender and race. She is a graduate teaching assistant and doctoral candidate at SOAS, where she researches race and racism in British development discourse. She is also writing a book on migration for Verso.
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Media Democracy: A Reform Agenda for Democratic Communications

by Dan Hind and Tom Mills¹

Since the 1920s the British state has organised a national media regime consisting of a broadcast sector with a strong public service component, and a print sector dominated by private companies that derives significant income from advertising. The BBC and the commercial broadcasters have been subject to arms' length regulation, while print has been left to manage itself, albeit in the context of very weak protections for freedom of speech. Both sectors developed symbiotic relationships with the state and political elites through journalist-source relationships and overlapping personnel at board, executive and operational levels.

In the later decades of the 20th century, competition in the print sector resulted in increasing concentrations of ownership and a rightward shift in the press, whilst television and radio became increasingly commercialised under pressure from neoliberal governments. The result was a compromised, corrupt and corrupting private press, and a broadcasting sector in which public service values and independent journalism were seriously eroded. Television, radio and print all increasingly reflected the interests of a narrow elite.

It has long been clear that the news media have not furnished us with the information necessary for active citizenship. Britain's newspapers are often wilfully misleading, whilst reporting in the more professional broadcasting sector is seriously deficient, particularly in matters relating to peace and war and political economy. Hierarchical public service broadcasting and advertising-dependent corporate media have helped to naturalise an opaque and unaccountable state on the one hand, and a highly centralised and unequal economy on the other. In many instances inadequate coverage has been replaced by no coverage at all. Corporate regional and local journalism are now non-existent in much of the country, and to compensate the BBC is now being required to subsidise the employment of 'local democracy reporters' by private companies.

Technological developments, meanwhile, have brought further changes. Over the last two decades or so, as the internet became an increasingly important source of information, the BBC and the large news publishers have made their content available via proprietary websites. Online platforms and subscription services like Alphabet Inc, Facebook, Amazon and Netflix then emerged as crucial players in the media and communications sector, serving as alternatives to, or intermediaries for, existing producers. They now attract significant advertising revenue at the expense of the private news corporations, as well as an increasing number of viewers from the broadcasters. The new digital platforms are privately owned and unregulated. They make much of their money by monitoring our

online behaviour and selling the insights they glean to other businesses. They already exercise enormous power over how we communicate with one another and how we access information.

Given the centrality of the digital platforms to the still emerging new media and communication system, we face a moment of decision in communications policy. We can either establish effective democratic oversight and agency, taking the best of the old system and shaping new technologies in ways that serve the public good. Or we can cede control to digital oligarchies, and leave in place the continued centralised control and commodification of information, and the opportunities for manipulation that come with them.

A vision for change: media democracy

A citizenry that hopes to govern itself cannot leave the data it generates in the hands of private wealth or public bureaucracy. We propose an approach to media and communications policy based on the principle of *media democracy*. This is the idea that we can and must decentralise and democratise our media system through public participation in, and oversight of, both editorial decisions and the development of new media technologies, and by developing new models of public ownership in the sector.²

Media democracy dovetails with a wider agenda for social and economic change. Digital technology allows citizens not only to communicate as equals, but also to actively participate in a wider process of social transformation, including through innovations in democratic economic planning. Technology makes both general supervision and detailed participation possible. It is necessary if we are to ensure that an enhanced and expanded public sector tracks the interests of the population as a whole.

We recommend that an incoming progressive government create a ‘British Digital Corporation’, a publicly owned institution that will provide public digital technology and infrastructure to democratic bodies. Its immediate mandate will include the creation of platforms to carry news and current affairs content and provide a transparent and safe environment in which citizens can exchange information, discover a shared agenda for research and inquiry, and create new public resources in the economic and social sphere.

The British Digital Corporation will act as a partner organisation to a revamped BBC. As viewers and listeners migrate online, the BBC needs to adapt to avoid becoming a second tier content provider for commercial platforms. It cannot wait until the next charter renewal process before we begin to think seriously about how the BBC can best manage the transition from the broadcast-plus-print era to a digital-first regime. The BBC likes to claim that it belongs to us all. It is time to flesh out what a BBC in common ownership will look like. The UK is a diverse and complex country and needs a media system that reflects this. The current media regime is too focussed on London and the Westminster agenda. We propose both a devolved BBC and a broader plural landscape of independent and co-operative news providers that will operate regionally and locally, replacing domination from the metropolitan centre and supporting a robust culture of local and national democracy, and informed engagement with the wider world.

Finally, we set out a more familiar agenda for media reform and the opportunities it affords for a reckoning with Britain's unaccountable and frivolous media-political class.

This programme of reform will not be imposed from above. Even a government committed to radical change in the interests of the majority will tend to leave media reform proposals to one side if the press and the broadcasters are able to dominate the discussion. Only a grass-roots movement can build popular support for media democracy and ensure that it becomes government policy in the years ahead.

Media democracy enacted

1. Reforming and reviving the BBC

Central to the transformation of the UK's media regime will be the radical reform of the public institution at the heart of the system: the BBC. The BBC has been the leading broadcaster in the UK for almost a century, and continues to set professional standards and provide expertise, training and public revenue for the industry of which it is part. It is a major provider of online news and entertainment, and is by some way the most significant single news source for the UK public across platforms.

The BBC embodies certain values that should be safeguarded and rejuvenated for the digital age. The founders of the BBC sought to ensure that it was protected from private power and political interference and their commitment to accuracy and due impartiality in reporting – now a requirement for all UK broadcasters – has undoubtedly reduced the volume of outright misinformation in British public life. But these values now need to be protected by a new relationship with its audiences.

At the level of political economy, public media has obvious advantages in a digital age. Publicly produced digital content, since it does not need to be 'monetised', can be made universally available. This means the BBC and other public media are potentially much more efficient media producers, able to take full advantage of the very low marginal costs involved in digital distribution.

More funding and political support will be required for the BBC to take full advantage of the opportunities presented by new technologies. But such support should be conditional on radical organisational reform that overhauls the top-down, statist structures that characterised 20th century broadcasting and its highly politicised system of managerial and editorial control. The BBC should instead become a democratic public platform and network, fully representative of its audiences and completely independent of governments and the market.

In recognition of the transition to digital public media, the television licence should be replaced with a digital licence fee based on internet access rather than possession of television receiving equipment. This will be part and parcel of a broader democratic claim on our digital space, and to be successful would have to be undertaken in parallel with broader public investment and regulation.

In partnership with its new sister organisation, the British Digital Corporation, a revamped and democratised BBC would become a central part of our digital future, offering free programmes,

information and apps, and providing a platform for users to engage with one another, assisted by algorithms that are transparent and subject to regular review.

BBC programme making and commissioning will be organised regionally, but made available nationally and internationally. Boards jointly elected by licence fee payers and staff, with guaranteed minority representation, would oversee each production region, whilst a democratically elected central board would provide organisational oversight and strategic planning. Audience research will be replaced with a new model of public engagement based on local, regional and national audience panels that are representative of the places where they live, and have defined powers to raise issues and present them through the BBC's broadcast and digital resources.

Programme making will be democratised, with audiences integrated into the commissioning of investigation and research, and given a formal role in assessing the significance of projects funded in this way. External commissioning will be rebalanced, with the public funds currently allocated to multinationals reduced in favour of smaller producers and new local media co-ops.

A new public media regulator will oversee the BBC, the other public service broadcasters, and the media co-ops. Rigorous monitoring mechanisms for all BBC produced and commissioned programming will ensure adequate representation of the full diversity of UK audiences.³

2. The British Digital Corporation

Running parallel with the changes to the BBC outlined above, the British Digital Corporation (BDC) will act as a partner institution to the BBC and a driver of innovation in the public and private digital sector. The BDC will be central to the development of a secure and stable public digital infrastructure that will reduce business costs, generate opportunities for co-operative enterprises and downstream businesses in the sector, and work with other public bodies to ensure that this national digital architecture serves our current and future needs. It will have a general mandate to develop public digital technology, to support alternative models of ownership throughout the economy, to facilitate the BBC's transition into a digital public platform, to promote a dynamic and creative public and cooperative sector, and to support and enable democratic self-government.

The commercial digital platforms depend on the extraction, analysis and commodification of our data. They often hold monopolies, or near monopolies, but are subject to very little democratic oversight. The social media platforms, in particular, have proved to be too vulnerable to manipulation to be suitable for democratic deliberation. The BDC will therefore have a specific mandate to supplement the commercial platforms with a range of interlocking public networks subject to effective democratic oversight and public control.

These networks will be transparent about the uses made of any data generated. The protocols used to manage confidentiality and to promote useful interaction on public platforms will be developed in close consultation with users who will decide how and what data is exploited, whether for commercial or public purposes. To give one example, healthcare holds out the promise of enormous profits for the data corporations. But if the NHS were to be embedded in a fully public architecture of research, development and application, the information generated from patients could be put to work for the

public good, rather than for private gain.

As noted above, a functional public media and communications system will be necessary to keep an enhanced public sector honest, efficient and accountable. But the BDC holds out the prospect of an even greater prize: a collection of spaces in which collective needs can be discovered and addressed. Instead of a market economy dominated by large enterprises and driven by advertising, we envisage a mixed economy in which production tracks our interests as both private individuals and public citizens. As Justin Lewis has noted, the advertisement is by far the most significant genre of media content.⁴

The BDC would develop governance platforms for the local news co-ops described below, as well as for other public institutions such as regional investment banks, and a general social media platform that can host content from the BBC and the media co-ops, and facilitate user-to-user interaction.

Without wanting to pre-empt decisions that will be made in response to public priorities, the BDC might also develop:

- An operating system derived from free software components, for both domestic and commercial use, and a general online payment system to ensure safe, cost-effective small payments to facilitate domestic and international trade and exchange.
- A platform for the sale or exchange of both physical and digital goods. Working in concert with a renationalised postal service and a revived public option in banking, such a platform would provide opportunities for consumers and end users to build co-operative relationships in which workers' rights and the needs of the environment can be respected. This platform could provide a venue for democratic planning as part of a broader industrial strategy. In this way housing provision, for example, as well as other sectors could be improved through the participation of end users in the design and production processes.

3. Local media co-operatives: a new distribution of attention

In order to support plural, relevant and responsive news and current affairs production across the country, we recommend that public funds be made available to support local media co-operatives. These co-operatives will be responsible for covering local government and other public bodies, including the law courts. They will also have a mandate to gather local news and to conduct investigations in the public interest, focussed on local, regional, national or international issues. The aim is not to reproduce the existing geographical hierarchy of news production, in which the centre controls discussion of 'big issues' while the periphery concerns itself with the 'local', but rather to create a polycentric system in which everywhere, and everyone, takes its place in the wider world. All content produced will be available for re-publication, with attribution, in other public media outlets, including the BBC.

Each local authority with billing responsibilities will have at least one media co-operative, each of which will be owned by the adult residents of the area in which it operates. Funding will be proportional to the size of an area's population, and set at a level to ensure that every provincial, rural and metropolitan region in England are served by robust and independent newsgatherers. By way of

example, we suggest that a non-metropolitan district council with 150,000 residents ought to receive sufficient funds to support a media co-op employing around twenty journalists and investigators on a full time basis, with adequate resources to meet the costs of reaching their audience online and in print at least quarterly.

Each news co-op will have an editor-in-chief with responsibility for day-to-day operations, who will be elected every two years from a shortlist prepared by this audience panel in consultation with the co-operative's permanent staff and the public.

Audience panels of at least 31 citizens randomly selected annually will have a general duty of oversight in the interests of the citizen body that owns the co-operative. These panels will meet formally with the editor-in-chief and editorial staff once a month, and make themselves available to the public. They will also be tasked with reviewing and recommending proposals for public funding from independent researchers. Audience panels will have defined rights to publish via the channels and media controlled by the co-operative and will be paid at the local living wage for one day a month. They will be supported by a full-time secretary, who will also be responsible for helping each citizen body engage productively with the media institution it owns. Of course we cannot provide detailed costings here. But a local district media co-op owned by 150,000 people employing twenty people at an average salary of £25,000 per year will have a total wage bill of £500,000. If overhead and expenses double this to £1,000,000 then providing cover at a similar level across England will cost around £360 million, around 10% of the BBC's annual income.

A percentage of each media co-op's total budget, (perhaps 10%), will be allocated to projects by the co-op's owners through a democratic process in which each individual controls equal amounts of funding power. The projects commissioned in this way will have access to the communicative resources of the relevant co-op.

The mandate of the local news co-operatives will ensure that they keep at least one eye on planning and the land economy, on public health, and on corruption and criminality in public office. Their structure will mean that their editorial agenda will be developed in partnership with the audiences they serve. And the existence of funds under the direct control of audiences will open up the circuits of publicity to a wider pool of expertise than in the existing media regime. In the last resort, investigators will not have to persuade affluent and educated gatekeepers that their proposals have merit, but will be able to build careers as servants to the public. The co-ops will network with one another and benefit from the support of the British Digital Corporation. They will also be able to enter into partnerships with the BBC and other media outlets. Taken as a whole, and in the context of reforms in the rest of the media system, they will help us acquire the knowledge needed for self-government.

4. Further reforms

Britain's press is one of the most concentrated in the world, with just three companies accounting for a significant majority of national newspaper circulation. The market is not only highly concentrated, it is politically partisan, unregulated and unprofessional, and has for decades been responsible for

distorting political debates and distributing what is now, mainly with reference to new digital media, described as ‘fake news’.

The press should be subject to some minimal democratic oversight to protect citizens from abuses and ensure professional standards are adhered to. Accordingly, the recommendations of ‘Leveson 1’ should be implemented, with a new independent standards body created, backed by legislation. The regulator should also protect journalists from retaliation by employers when they act in accordance with the NUJ’s code of conduct. Part two of the Leveson Inquiry – the investigation of criminality and corruption in the press – should go ahead as planned.

To avoid excessive concentrations of ownership in the press, and across media platforms, a new media plurality bill should be introduced that will allow for politically independent assessments of cross platform media ownership, and appropriate remedies. Strict limitations should be placed on private media companies in order to prevent highly concentrated ownership, whilst a lower threshold should subject companies to governance requirements, including workers’ elections for editorial positions, along with other frameworks that ensure an arm’s length relationship between owners and editorial output.

While UK media will be subject to a degree of regulation in the structure of communications we propose, we also recommend that the government introduce protections for free speech by individuals including journalists. The UK’s libel laws are unduly draconian and tend to exert a chilling effect on speech, especially speech that challenges the rich and powerful.

Tensions and debates

Media power is a subtle and self-effacing kind of power. But it is power, nevertheless. The privately held newspapers are committed to keeping it in the hands of senior editors, proprietors and advertisers, whilst the BBC and other public service media tend to maintain dignified silence rather than engage with civil society. Those who enjoy an exalted place in the current structures have no interest in promoting a discussion about what will replace them. Even editors who are sympathetic to the left are unlikely to welcome proposals that will render them more visible and accountable to their audiences. So even more than is usually the case, we cannot rely on the liberal press and its counterparts in book publishing and broadcasting. The crucial discussion can only take place in and around the labour movement.

In the absence of a wide-ranging debate in the mainstream, the few proposals for reform that achieve any kind of prominence have tended to focus on the tabloid press where the long history of hostility to Murdoch gave campaigners a clear focus that could unite liberals and more radical critics. We don’t wish to downplay the need for effective regulation of the press, which must be part of any media reform agenda, but it is now clear that newspapers will only survive as junior partners in a digital media regime dominated by the big platforms. It is in that space that the battles that matter most will be fought in the next decade.

While there is a lively popular conversation about broadcast media, the BBC rarely emerges as an institution that might be significantly reformed. There are occasional calls for a restoration of the pre-

Thatcherite BBC and its ethos of public service in the context of social democracy. But this is to pine for the rule of enlightened elites, a cultural Keynesianism that is unattractive on its own terms and incompatible with any wider project of social transformation.

In recent years, and especially after 2015 and the Corbyn era in Labour, the BBC has lost some of its authority on the left and it is now not unusual to see individuals calling for its abolition. Such calls sometimes invoke the possibility of creating our own media through voluntary efforts on ‘free’ platforms, through crowdfunding and so on. But this approach is neither secure in the immediate term nor sustainable in the longer term, and will remain limited in terms of resources and reach. The awkward truth, rarely stated, is that mass media news and current affairs have always relied on subsidies, either from the state or from the corporate sector. Content that pays for itself is the exception, not the rule. Voluntarism, however heroic, cannot substitute for stable institutions and predictable income streams. And while digital technology affords considerable opportunities, commercial platforms are no friends of the left, and will come under increasing pressure from elements in the state and the wider corporate sector to clamp down on particular types of content.

In contrast for those who call for the BBC’s abolition, we believe that it has considerable potential as a core element in an egalitarian and democratic media regime. Successive governments have done a great deal of damage to the institution, but it retains much of its old technical and creative potential. The task is to ensure that this potential can be realised by protecting staff from market-mimicking management and from behind-the-scenes interference by politicians and their enforcers. The implications of reform for drama and entertainment production lie somewhat outside the scope of this essay, but they are significant. In news and current affairs, meanwhile, we expect deference to the Westminster consensus and occasional nods to the world outside to be replaced by much more plural and rigorous investigation and analysis.

This radical and constructive reform of the BBC will run alongside a programme of regulation and institution-building so that organisations and individuals who currently struggle to support themselves can secure a degree of stability and predictability in their working lives while serving audiences. More than this, the reforms we propose are intended to open up politics and culture to the public as a whole; to enable all of us to call on the expertise and specialist skills and knowledge of others, and put them to work on collectively agreed purposes.

Strategy and implementation

The private media and elements in the state and corporate sectors appreciate much better than the general public what a democratised public sphere would mean. Their opposition will be well organised and lavishly funded. There is little that we can or should do to appease them. We should welcome their enmity.

The BBC is beginning to recognise that it will have to adapt if it is to survive when broadcast is no longer at the centre of media consumption. It is important that we make the argument now that its future in the digital era can only be secured if it accepts the need for extensive democratisation and reform.

The media democracy agenda may face some opposition from those who worry that it serves as a distraction from the immediate demands of electoral politics, or who hope to influence the existing communications regime for progressive ends once in government. Again, it is important that popular constituencies grasp how central a reformed system of communications will be to a broader and longer term programme of social transformation.

In this respect we are likely to be helped by the fact that the reforms we propose offer the prospect of secure and rewarding work to many of the most energetic and idealistic actors in civil society, and resources of great practical benefit to many more. The current media regime favours Tories and centrist liberals. What we propose will create opportunities for the UK left to make its case with a rough equality of resources for the first time in its history.

In the first three months of a new progressive government, we recommend the following:

- Legislation creating a mandatory press regulator, limitations on media ownership, and stronger protections for free speech.
- Legislation creating a network of regional media co-operatives.
- The creation of the British Digital Corporation as a sister organization to the BBC, with a mandate to support the co-operative media networks, develop public platforms, and improve productivity in the wider economy through strategic investments in research and development, and the launch of public digital resources.
- The establishment of a national convention on communications and media to run alongside Leveson 2.

Next steps

The media reform agenda in the UK depends critically on the resources and capabilities of the labour movement. No other social force has both the capacity and the will to create a substantially democratic public sphere.

An expanded public sector will need careful supervision from a combative and independent media sector if it is to remain dynamic and incorrupt. Even more crucially, we will need very different kind of media system in order to establish collective deliberation, rather than the advertising mystique, as the main driver of demand in the economy.

We recommend establishing a Labour affiliated socialist society to develop a detailed policy agenda and argue for it in the Labour institutions and in the wider society. This society will draw contributions from media and technology practitioners, trade unionists, and existing strands of reformism. It will seek to make the issue of media reform central to the progressive agenda in the UK and beyond by combining rigorous research on the current media system with practical proposals for a new model of communications. It will invite present and past employees of the BBC to engage with civil society on the corporation's role as a 'public option' in media in the future. Media analysis will be tied to an agenda for broader democratic change.

Ideally this socialist society will be one of several that help develop an agenda for the Left's 'institutional turn'.¹ It is particularly important that conversations about the media in the conventional sense are informed by developments in the digital sector and that changes to the media-digital system are discussed alongside proposals for changes to the UK's political economy. The importance of taking communications in this broad sense seriously cannot be overstated. The collapse of Keynesian social democracy was caused in part by the inability of the British media to describe what was happening to the UK economy in the 1970s, and host a reasoned debate about the options facing the electorate. This time round it is vital to avoid this mistake and make sure that media policy is integrated with plans for the future of the UK.

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Endnotes

¹ Tom Mills is a lecturer in sociology at Aston University. He is the author of 'The BBC: Myth of a Public Service' and the co-presenter of the Media Democracy podcast. His academic work is centrally concerned with the ideas and practices of powerful groups and actors, and the social networks that influence policy making. Dan Hind is an independent publisher and republican whose work focuses on the relationship between states and communications systems. Dan is a fellow at the Democracy Collaborative, which recently published his paper "The Constitutional Turn: Liberty and the Co-operative State". His second book, *The Return of the Public: Democracy, Power and the Case for Media Reform*, won the Bristol Festival of Ideas Prize. He co-presents the Media Democracy podcast.

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Trying to Milk a Vulture: If We Want Economic Justice We Need A Democratic Revolution

by Adam Ramsay¹

“It is not possible to build democratic socialism by using the ancient institutions of the British state. Under that, include the present doctrine of sovereignty, Parliament, the electoral system, the civil service, the whole gaudy heritage. It is not possible in the way that it is not possible to induce a vulture to give milk.”²

As the forces of entropy have continued to pull at the threadbare remnants of Britain’s empire state, Neal Ascherson’s claim in 1985 has become more potent than ever.

This “gaudy heritage” includes the House of Lords where a combination of the only hereditary legislators in the world, the only automatic seats for clerics outside Iran, and hundreds of appointed cronies get a say on all the UK’s laws. This valve in the British state allows the interests of the powerful to flow freely, while holding back progressive change.

When the Conservative party pushed through the Health and Social Care Act in 2012, which undermined the foundations of the NHS, a quarter of its peers had shares in private health companies.³ To begin the building of the welfare state in 1910 the Commons first had to limit its influence, but it still has the power and desire to delay and disrupt much of what is proposed in this volume.

There’s the Royal family, and the empire-kitsch nationalism it encourages, allowing tabloids to imply that anyone who isn’t loyal to Britain’s iniquitous institutions is a traitor to their country.

There’s the fact that 86% of the land, 90% of the biodiversity⁴ and an unknown but large proportion of the wealth for which the British state is responsible lies outside our North Atlantic Archipelago. Stretching from the Cayman Islands to Gibraltar, from the UK’s military bases in Cyprus to the US military bases on the British Indian Ocean territory, the Overseas Territories spin a dark web around the world, allowing the mega-rich to launder their spoils in the shadow of vestigial empire and prompting the leading expert on the mafia to call the UK “the most corrupt country on earth”.⁵

There’s the constitutional oddity of the City of London, which sits at the centre of this web, which has managed its own affairs since before the Norman Conquest with a corporate-elected council, has its own police force (dating back to Roman times) and enjoys the only constitutionally mandated permanent lobbyist in parliament, known as the “Remembrancer”.

There’s the absurd concentration of power which ensures that decisions of the state are held out of reach of ordinary citizens. Local government in Britain is both less local, and has less power to

govern, than almost anywhere else in the western world, helping produce a country with the most extreme regional inequality in Western Europe.⁶

There's the mess of asymmetric devolution, the now multidimensional West Lothian Questions it delivers, and demands for more autonomy from Cornwall to Shetland. There's the collapsed institutions of Northern Ireland; the immunity of the Bank of England from democratic influence; and the towering power of the Treasury, whose wonky models often seem to shape government policy more than the manifestos of the parties we elect.

There's an electoral system which encourages millions to believe that voting can never make a difference, that democracy is defunct. There's a civil service whose culture and revolving doors with the institutions of British capital ensure that it would likely be as much of a barrier to change today as when it was founded as a check against the growing enfranchisement of working class men in the 19th century, on the back of the Northcote-Trevelyan report⁷, whose co-author, Sir Charles Trevelyan, is most famous for his genocidal approach to the Irish famine, and who based its structure on the lessons of the colonial administrators of the East India company.

There's the lack of constitutional protections for human rights or civil liberties. One of the central exhibits in the Stasi museum in East Berlin is a bug inserted inside a kitchen door, which had recorded family conversations for years. But the Edward Snowden revelations showed that the UK spy agency GCHQ's Optic Nerve programme collected images of millions of people through their laptop cameras and smartphones: a level of surveillance that the government of the German Democratic Republic could only dream of, and which poses a drastic threat to the activism and journalism needed to hold power to account. As the Guardian revealed at the time: GCHQ had a "sustained struggle to keep the large store of sexually explicit imagery collected by Optic Nerve away from the eyes of its staff"⁸.

While the US has constitutional protection to stop the government spying on civilians without a warrant, the UK doesn't, and the ability of structurally racist security services to collect both data and meta-data, tracking our networks and movements, gives it capacity for unprecedented social control, including new tools for undermining social movements and trade unions during protests and strikes.

The UK sits at 40th in the latest rankings for press freedom, behind almost every other Western country.⁹ After Beijing, London is the most watched city in the world, while the shifting terms of citizenship as Britain has made its way from an empire to an EU member to neither – is the beaker holding the poisonous conversation about immigration.

Underlying all of this is the ultimate principle of the British constitution, that sovereignty lies not with the people, but with the crown in parliament: the compromise of failed democratic revolutions, which stumbled as the bourgeoisies of previous centuries were bought off with the plunder of empire and slavery.

But these questions are as relevant today as ever. Neoliberalism is the process of shifting decisions from one person one vote to one pound – or dollar or Euro or Yen – one vote. It's no surprise that it has thrived most in those countries in which the democratic revolutions were least complete, in which people are most easily convinced that markets are a better way to make decisions than politics.

Most of the policy proposals in this volume demand a different approach: that democratic institutions of various flavours take some kind of control over major areas of decision-making. And if they are to do so, it's vital that they are genuinely democratic, that they are responsive to the needs of the population, and that they act in the interests of those they are supposed to serve.

And if these proposals are to survive beyond the lifetime of more than one government, then their implementation must come alongside a process of empowering citizens to defend those policies and institutions which work. One of the many lessons from the Blair/Brown era is that much of the good they did do – Sure Start Centres and rising public sector pay – was swept away within the term of one austerity happy government.

What is to be done?

Britain's constitutional debate often feels like a car owner attempting to repair a smashed-up windscreen by trying to mend each fracture separately. A much better approach would be to replace the whole mess with a constitutional convention.¹⁰

Specifically, the government should gather a jury of citizens – representative of different races, genders, ages, classes, regions and nations of the UK – to draw up a new constitution, and then hold a referendum or series of referendums on whether to accept it. It was a similar process in Ireland which triggered the magnificent referendums there on equal marriage and abortion rights, which have both undone huge historic injustices, and also unleashed an energy which has helped change Ireland. But while a huge amount can be learned from the Irish process¹¹, the UK, without a codified constitution to start with, begins from much further back.

Of course, once such a group was convened, it wouldn't be up to the government to decide what it concluded. But progressives should absolutely be free to advocate for particular decisions during the process, and what follows are a number of the changes I would wish to see.

What rights

Human rights can be an atomising way to see morality and they are of little use in determining the most complex questions, which arise when rights conflict. However, democracy requires protection for the marginalised and minorities, for the unloved and unlovable, and for everyone against the powerful. The current set-up means that any government – especially without the framework of the EU – could quickly pass a law abolishing any right it didn't like. This is why most countries enshrine rights in constitutions, which require deeper democratic mandates to amend. A bottom up Convention should help ensure that such rights are seen not as an imposition from some 'metropolitan elite' as they are sometimes described, but as emerging from a conversation among the people.

Among the principles that should be enshrined is the core of the Magna Carta – equal access to the justice system, which has been so corroded by years of cuts to legal aid. Such a principle is core to any economic reforms: how, for example, can we ensure minimum wage laws are enforced or tenants' rights are protected unless workers and renters can access the courts on equal terms with their bosses or landlords?

A set of rights for women would be important in our systemically sexist society. While they should of course be drafted by women themselves, I'd include rights to equality in pay, property and

political representation as well as reproductive rights such as access to safe abortions. Similarly, people of colour, LGBTQI people and disabled people face structural discrimination and their rights should be enshrined.

Recent scandals around both the state and corporations spying on trade unionists and environmental activists show the need for protection of both privacy, and of collective organising. And the story that the Home Secretary will allow people accused of terror charges to be sent to the United States to face a potential death penalty shows the potential fatal consequences of elected dictatorship.¹²

The 2016 Trade Union Act drastically undermined the capacity of workers to organise collectively, and in 2018 the International Trade Union Congress ranked the UK alongside Russia and the Congo as a country where there are “regular violations of workers’ rights”¹³. A constitution should enshrine collective rights for workers, and for marginalised groups such as the UK’s traveller community, who have been victims of cultural vandalism in recent years.

Likewise, we should guarantee not just civil and political rights but also social and economic rights. It seems likely that a list of rights drawn up by a representative sample of British people would include a right to healthcare, and legal protection for the NHS as a universal service, making future attempts at eroding it much harder, and similar rights should exist to education, social care, housing, food and digital access.

And when other countries have debated rights in the modern era, some have chosen to think beyond people. The constitutions of both Bolivia¹⁴ and Namibia¹⁵ enshrine protections for nature, which mean environmentalists and indigenous people have legal recourse to challenge corporate polluters and plunderers in the highest courts in the land. If the point of constitutions is the long-term stewardship of a civilisation, then it ought to build in protection for the planet.

The same is true of digital rights. If data is the new oil, then asking who owns it means asking who owns much of our economy. A modern democratic revolution should have Google and Facebook in mind alongside government and finance. There are important questions to be asked about how this sort of data should be owned, stored and used. Our current governance structures have proved woefully incapable of even asking those questions – it is clueless when it comes to contemplating possible answers.

And the flip-side of data protection is transparency. The 2001 Freedom of Information Act has helped sweep aside some of the deep corruption of the British state. Without it, we wouldn’t have had the expenses scandal or known as much as we do about corporate lobbying and the revolving doors between the civil service and big business. But with MPs dodging the Act with WhatsApp groups, and government departments now turning down Freedom of Information requests wholesale, with more and more of the functions of the state being privatised beyond the reach of the Act (for now) there’s a deep need for new rules – and a newly empowered Information Commission – to ensure our government is transparent.

And just as the Information Commission needs to be renewed, so the Electoral Commission and the rules protecting our democracy from big money need to be comprehensively refreshed. In the 2010 election – which took place immediately after the banking crash – more than half of the donations to the Tories came from the City of London.¹⁶ They were paid to not regulate the banks,

and they didn't: a historic dereliction of duty. As I write this, I've spent nearly two years investigating where much of the cash that paid for various campaigns to leave the EU came from, and I couldn't tell you the answer with certainty, other than that it came through tax havens and loopholes in the British constitution, from people with vast wealth who believed that Brexit was in their interests. Without either public funding for political parties, or much tougher enforcement of stricter laws on funding, British democracy is in real trouble.

Similarly, the 2000 Elections Act was written before the advent of Facebook or Twitter. These are new spaces for democratic debate and they need new rules.

Regulation, regulation, regulation

There's another way to look at the Information Commissioner's Office and the Electoral Commission. Both emerged during the Blair/Brown years, where regulation became part of a "third way" compromise between public and private ownership, and led to a set of organisations which blur the old constitutional lines between judiciary, legislature, and executive. For the most part, though, as Anthony Barnett has pointed out Britain has regulated goods and services in an increasingly complex and globalised market by participating in the EU.¹⁷ And if we are to leave the EU, then we will need to rapidly take on many of these functions, and in that context, there is important thinking to be done about what sorts of regulators we want in the future.

If, for example, the Food Standards Agency, or the Financial Conduct Authority, or the Care Quality Commission, or Natural Resources Wales, or the General Pharmaceutical Council, or the Social Care Inspectorate, or all of the new regulators the UK will have to create as we take on work previously done at an EU level – are to have the powers they will need to hold the powerful to account, then they will need the legitimacy of democracy in some form. Otherwise they will find themselves in the same position as the EU: facing accusations of being unaccountable legislators. And this applies as much to those who regulate democratic and non-profit institutions as it does those who oversee the market.

Britain's current regulatory structure was mostly built by a New Labour administration which was largely populated by the great and good of bureaucratised NGOs and elites from within the public sector. As such, it is essentially a new form of unaccountable governance by those elites. It will either find a way to democratise itself, or it will be torn down by those it ought to be regulating, and their allies in the media.

The basic functions of the state

At the very core of the state sits two groups. First, there are those who run it: the civil service. Second is those who administer its most defining power: the monopoly on legal violence.

In recent years, the work of the civil service has been increasingly outsourced to the big four accountancy firms, Deloitte, PwC, EY and KPMG. To take just one of them, PwC has played a key role in everything from military procurement¹⁸ to Brexit negotiations¹⁹, to the justice system²⁰ to healthcare²¹ and almost any other function of the state you might imagine.

The big four audit all but one of the FTSE 100 and 97% of US public companies²², meaning they were responsible for signing off the books of all of the major banks which would then go on to collapse in 2007/8.²³ PwC is also the UK's "leading provider of tax services"²⁴, and in 2015 was

accused by Margaret Hodge, chair of the House of Commons Public Accounts Committee of “promotion of tax avoidance on an industrial scale”.²⁵ In 2018, the firm was banned from auditing listed companies in India after a company it had audited turned out to have committed a billion dollar fraud (PwC denied any wrongdoing).²⁶

Ahead of the 2015 election, PwC was, after the trade unions, the biggest donor to the Labour party²⁷, having seconded staff to the offices of then shadow ministers Chuka Umunna and Ed Balls to write the party’s policy on tax and education. Given the key role that it plays in writing, shaping and delivering government (and opposition) policy, PwC, alongside the other big-four firms, should be understood as a key component of the modern British state (and of most other Western states).

As the journalist Ellie Mae O’Hagan has pointed out, there was until 2010 a public body called the Audit Commission, which audited 11,000 public bodies, but which was abolished by the coalition government.²⁸ It’s vital that we bring back the Audit Commission, and I would suggest that as well as all public bodies, all major firms ought to be audited by it, rather than being allowed to choose who will check their sums. More broadly, any progressive government is likely to find it impossible to deliver its agenda with a hollowed out civil service, which relies heavily on the big four to deliver any major project: the reforms in this volume conflict directly with the interests of most of their corporate clients, and of the big four themselves. This means there will need to be a major project in re-building and re-skilling the civil service.

Similarly, the monopoly on violence has become more of a competitive marketplace for physical force. From the G4S employees who suffocated Jimmy Mubenga to death²⁹, to the guards in our privatised prisons and the staff at the firm Maximus³⁰ (who determine whether or not people are fit to work), the right to decide who lives and who dies is increasingly being outsourced to private firms. And as the NGO War on Want has revealed, this is equally true outside the country.³¹

Since the 2001 invasion of Afghanistan, the work of war has increasingly been contracted to mercenaries, whose industry has grown exponentially. The industry is now worth hundreds of billions of dollars, and is one of the few sectors in which the UK is the world leader, in part because the government allows it to regulate itself. This process had a direct impact on British and American democracy when SCL, a mercenary psychological operations contractor hired by NATO and the defence departments of various of its members, realised it could apply the skills it had developed in warzones to domestic campaigns, and set up a subsidiary called Cambridge Analytica, which secured the contract to run Trump’s 2016 presidential campaign, while its close associate, AggregateIQ, effectively ran the pro-Brexit campaign. In both cases, the firms won by smearing racism across the internet.³²

Private armies, mercenary military propagandists and social-media monopolies are drowning our democracy. We need robust independent media and democratically refreshed public broadcasters. And if prisons, the police and the military are to exist (that’s another debate), there must be a constitutional requirement that any monopoly on legal violence and the broader work of war is held directly by a democratically accountable state, not outsourced to mercenaries.

Where is British?

The geographical reach of the British state peaked in 1920 at around 25%³³ of the surface of the earth and remains much larger than most British citizens realise – with most of it still falling in the Southern Hemisphere. There are, by my count, 18 legislatures sitting under Westminster's wings; with varying degrees of autonomy over populations ranging from the 5.3 million citizens of Scotland to the 50 people on Pitcairn, descendants of the mutineers of HMS Bounty and the women they kidnapped and raped.

First, there's the five recognised nations of the UK. Recent polls in Scotland have consistently shown majorities of people under the age of 55 supporting independence³⁴, and sooner or later, Westminster will find itself facing a constitutional choice similar to the one which has been bungled by the Spanish government in Catalunya: if Holyrood demands a legally binding independence referendum, will Westminster block it?

Similarly, the sickly Good Friday Agreement – the official discussion of which has been described by Robin Wilson as a constitutional re-enactment of Monty Python's dead parrot sketch³⁵ – requires that the UK Secretary of State for Northern Ireland hold a referendum on Northern Ireland's constitutional position "if at any time it appears likely to him [sic] that a majority of those voting would express a wish that Northern Ireland should cease to be part of the United Kingdom and form part of a united Ireland."³⁶ How the Secretary of State is supposed to divine such a likelihood is, however, left unsaid, and it doesn't take much imagining to ponder a scenario in which disagreement about this reaches crisis point, producing further chaos in what is already one of the poorest corners in Northern Europe. In the meantime, as I write, every institution set up by the Agreement apart from the police service is not operating, and the likely imposition of border controls with the Republic risks bringing with it chaos and queues.

Meanwhile, England and Wales are going through their own, different, and ongoing, processes of emergence from empire, in which England maintains the arrogance of believing it isn't just a normal country, while Cornwall³⁷ – a recognised national minority and the second poorest region of Northern Europe³⁸ – normally goes unnoticed, despite strong support for devolution there.

Then there's the fourteen British Overseas Territories: Akrotiri and Dhekelia; Anguilla; Bermuda; British Antarctic Territory; British Indian Ocean Territory; British Virgin Islands; Cayman Islands; Falkland Islands; Gibraltar; Montserrat; Pitcairn, Henderson, Ducie and Oeno Islands; St Helena, Ascension and Tristan da Cunha; South Georgia and South Sandwich Islands; and Turks and Caicos Islands. Each of these has its own complex stories, from the disgraceful expulsion of the Chagosians from the British Indian Ocean Territory to the child rapes on Pitcairn³⁹ to the financial secrets of Cayman and Gibraltar.

Finally, there's the Crown Dependencies: the Isle of Man, which has the oldest (and only tri-cameral) parliament in the world, and the Bailiwicks of Jersey and Guernsey, the latter of which includes three jurisdictions: Guernsey itself, Alderney and Sark. These are the property of the Crown and have a series of complex arrangements with the British government, particularly around defence.

Twice since 1980, Britain's armed forces have fought wars in defence of Overseas Territories. In 1982, the Falklands War revived Thatcher's ailing government and so played a key role in shaping a generation of British politics. In 2003, the famous 'dodgy dossier' declared that Saddam Hussein

had weapons of mass destruction capable of being deployed within 45 minutes against Akrotiri and Dhekelia, Britain's mini-military dictatorship on Cyprus, where 8,000 Cypriots live under the rule of an appointee of the Department of Defence. This is what provided the supposed legal justification for the invasion which triggered the ongoing disaster in Iraq, and which has helped shape much of British politics ever since.

Under the protection of Britain's armed forces, but without the scrutiny of international politics, the Crown Dependencies and many of the Overseas Territories play a key role as the world's most important network of tax havens and secrecy areas. More than half of the companies registered in the Panama papers were listed in Britain or its Overseas Territories, and Crown Dependencies.

A distinct part of any constitutional convention would probably have to look at the Overseas Territories and Crown Dependencies in conversation with those who live in them and their governments. Each has a different history, different controversies and by their nature, each will have a slightly different relationship with the UK.

However, here is my fairly simple proposal. First, England should be given a parliament of its own and treated as the biggest in a family of nations, not the imperious parent. If the people of Cornwall wish their own, separate chamber, then they should have one too. England's regions (such as Yorkshire) should also have their own assemblies. While this will be attacked as "more politicians" by neoliberals, a growing state, with publicly owned public transport, water, regional investment banks and other renationalised services means more work for elected officials, and such services will often be best managed at a regional level.

Second, if the people of any given Overseas Territory wish to remain under the purview of the British state and to nestle under the protective wings of Her Majesty's Royal Air Force, then the government should offer a basic set of rights and responsibilities, including the two or three MPs between them that their collective population merits. They should be allowed legislatures of their own, like Scotland or Wales, where they can develop their own health and education systems. But corporation tax rates, transparency laws and basic rights for citizens should be shared: no more tax havens and secrecy areas. They should not be allowed to use the British state as a protective screen as they hide wealth for the crooks of the world.

Thirdly, each constituent nation of the British state – from the citizens of Scotland or England to the people of Pitcairn or Montserrat – should be given a legal right to vote for their own independence or to join with another country of their choosing, with a referendum triggered by a petition signed by a pre-agreed portion of registered voters: say, a fifth. Those who wish to remain within the UK should negotiate between them which powers they wish to delegate up to Westminster, and which they wish to retain at a national level.

How to arrange our democracy

Then there's the basic infrastructure of our democratic processes. The question of what to do with the House of Lords is long running. As Anthony Barnett has pointed out to me, if it were replaced by a proportional senate but the Commons left unreformed, then it would immediately become the more representative chamber and accrue more moral legitimacy. And so, both must be reformed at once.

Proportional representation is both fairer and tends to produce more progressive governments⁴⁰ – citizenries, on the whole, are more egalitarian than their establishments. Endless dull texts have pondered which system is best, and I don't propose to mull here on the various advantages of STV over AV+ or D'Hont⁴¹, but it seems clear that a switch to a system in which every vote contributes to the final result would be an important step towards restoring faith in democracy.

The institution of Westminster is itself damaging to British democracy, as the disciplinarian mother of parliaments insists that its citizens are seen but not heard. Both Caroline Lucas⁴² and Mhairi Black⁴³ have written well about their experiences as MPs entering a building that intimidates anyone unfamiliar with the cloisters of an old public school or Oxford college, where you are given a hook for your sword but have to fight for desk space. It is closer to Versailles – which aimed to awe subjects into submission – than it is to more egalitarian institutions, such as the Scottish Parliament. The fact that only 30% of MPs are women – 47th in the world, just behind Sudan⁴⁴ – indicates a deep sickness in the culture of the place, and recent stories of heavily pregnant MPs being marched through the voting lobbies show that things need to change.

To walk into the Houses of Parliament, I need to pass a statue honouring a man – Oliver Cromwell – whose troops murdered a fifth of the population of my home city, Dundee⁴⁵, and who is considered by many in Ireland to personify the slaughter of their ancestors by the British state.

A simple solution would be to turn the whole palace into a museum and debunk to a city further north. Apart from anything else, Northern England's rickety trains might finally get the upgrade they have long needed if more MPs were forced to travel on them every week. And if the two chambers were placed in different cities, the narcissism of the place might dissipate a little. At the same time, the various absurd traditions of Westminster should be replaced with clear, accountable democratic procedures, including two proportionally elected chambers with different systems, an element of sortition (which I'll come to), and mechanisms to ensure women and minority groups are fairly represented.

But ultimately, bringing power closer to people is vital if we are to build a democracy at a more human scale. For too long, local government has been stripped of power, to the point that Britain is now, by some measures, the most centralised developed country. It's no surprise that people have paid less and less attention to disempowered local authorities with little capacity to shape their communities. But when people are given real decisions, they show up in their thousands.

Across Europe, the average population of a local authority is 5,620.⁴⁶ The smallest council area in England is West Somerset, with 34,000 people.⁴⁷ The biggest is Birmingham – the largest 'local' government area in Europe – with 1.1 million people.⁴⁸ Scotland and Wales aren't much better, while local government in Northern Ireland has very few powers.

In Germany, the average local councillor represents 600 people.⁴⁹ In England, that figure is 7,000, with 3,500 in Wales and 4,270 in Scotland. In Norway, as Lesley Riddoch points out, one in every 81 people will stand for local election at some point, while the equivalent figure in Scotland is one in 2071.⁵⁰ And that's before we consider the numbers who stand for election to the broad array of other democratised institutions, like school boards. As Riddoch points out, "In Norway a small kommune of 3,000 people is still responsible for fire and police."

Moreover, she goes on to say, “Sweden has even more powerful local councils. Anyone earning less than £35k per annum pays all their income tax to the local council and none to central government; financed by higher rate earners and corporation tax.”

For neoliberals, of course, none of this matters much. You’re unlikely to mind what sort of government is getting out of the way of the market, and the more ‘politics’ is confined within the walls of an obviously anachronistic Westminster, the more that the mantra “there is no alternative” wins. But once we accept that neoliberalism has failed and some sort of government intervention matters, if we believe that politics is about power everywhere, then the sort of government – and its ability to understand local differences – becomes enormously important.

While there is often discussion among progressives about the Nordic social democratic model, there is little understanding in Anglo-American debate that the key to building the ‘social’ has been the ‘democracy’.

Since the Beveridge Report, progressives in Britain have relied on a strategy of universalism to defend the social security system, on the grounds that public services just for the poor end up being poor public services. This, of course, remains true, and Blairism’s embrace of means-testing was a key precursor to Cameron’s cuts: see, for example, the broad resistance to fortnightly bin collection versus the ease with which housing benefit has been cut.

It’s clear, though, that universalism isn’t sufficient. If future governments hope to protect parts of our lives from the brutality of the market for the long-term, that means building institutions and policies that people will be willing to organise to defend, over generations. And the best way to do that is to involve citizens directly in building and running those institutions.

Beyond social democracy, to radical democracy

In 1972, the Glaswegian trade unionist Jimmy Reid was elected rector of Glasgow university on the back of a work-in he led of Clydeside shipbuilders. The speech he gave accepting the post was so powerful it was re-printed in the New York Times. In it, Reid railed against both the market, and the centralisation in the local government reforms going through at the time. He opened with a stark claim: “Alienation is the precise and correctly applied word for describing the major social problems in Britain today”.⁵¹

In the 46 years since he gave his speech, the extent of alienation has only got worse. The claim is even more true today than it was at the time. But three major things have changed. The first is that progressive governments at both local and national levels across the world have developed a range of techniques to support citizens to make large scale decisions through participatory and deliberative processes. Since 1989, the people of Porto Alegre in Brazil have come together every year to choose how to spend the city’s multi-million pound budget. And the scheme has been such a success – even the World Bank⁵² has accepted that it’s been more efficient in alleviating poverty than the conventional process of leaving budget decisions to political elites – that it’s been repeated in cities across Latin America, and even the world. In Edinburgh, where I live, the people of Leith have an annual process for divvying out community funds, inspired by lessons from Brazil.

One of the most remarkable effects of such processes though is not just the way in which it changes how money is spent, but how it changes the people involved. As the World Bank report

mentioned above says, “information disclosure through meetings involving public representatives has facilitated a learning process that leads to a more active citizenship. Citizens have become aware of new possibilities, and this has helped them to decide on civic matters influencing their everyday lives.” A study by the University of Columbia in 2005 of the impact of participatory budgeting on the people of the Argentinian city of Rosario came to a similar conclusion.⁵³ People they interviewed talked about how the process had helped bring together the community and give them a sense of ownership over it.

The various experiments in radical democracy that have taken place around the world stretch beyond budgeting, and they don’t always involve mass assemblies: as mentioned above, Ireland’s recent constitutional referendums were the result of a citizens’ jury, and the participatory processes have been used to look at a whole range of questions. But what they have in common is that they allow space for people to have conversations about the future, outside the endlessly atomising force of the market.

The second thing that has changed since Jimmy Reid railed against alienation is the arrival of the internet, and with it a series of tools to facilitate collective decision-making. While it’s important not to fall into the perils of tech-utopianism, the web can be a powerful tool for radical democracy.

And the third change is the arrival of big data. Mostly, this important new tool has been used to sell us things and spy on us. But the depth of information humanity is now able to gather on how to understand major problems ranging from cancer rates to climate change is vast.

In this context, the centralised British constitutional system – where 650 MPs plus 792 Lords make the vital decisions which affect all of us, is an absurd anachronism, designed more to protect a ruling elite than to unleash the collective wisdom of the country.

As Peter McColl has argued, the mix of near-universal literacy, the power of pervasive and ubiquitous data to help us better understand the challenges we face, and success in trialling and developing the tools of radical democracy, means that now is the time for a participatory society.⁵⁴

Such suggestions are often contentious among those who worry that decentralising the power of the state can be a divide-and-rule tactic which allows capture by big business. But in reality, the states which have managed to stop being entirely controlled by big business are the least centralised, because the best guardian against corporate capture is an empowered citizenry with hands-on control of public investment.

In practice, what I’d propose is a mixed model of direct and representative democracy, with powerful local government facilitating participatory processes for decisions like budgeting and the production of urban plans, and national government using jury-style processes as a stage in the writing of major new laws, to oversee the work of public bodies such as government departments, police forces, regulators and the central bank, and in public inquiries as Dan Hind has proposed.⁵⁵

Who’s sovereign?

Any basic politics course will teach you that such a society is anathema to the British constitution. In the UK, we’re told, the Crown in parliament is sovereign. In reality, however, this principle is already broken, as Anthony Barnett and I pointed out last year.⁵⁶

First, there's the question of Scotland. Here, there is a strong cultural belief that the people of Scotland are sovereign, sometimes claimed to date back to the declaration of Arbroath in 1320. In 1989, the majority of Scottish MPs (mostly Labour and Liberal Democrat) signed "the Claim of Right", which declared "We, gathered as the Scottish Constitutional Convention, do hereby acknowledge the sovereign right of the Scottish people to determine the form of Government best suited to their needs".⁵⁷ A majority of MSPs currently sitting declared, as they were sworn in, that "the people of Scotland are sovereign" – a position taken by both the Scottish Government and the Church of Scotland⁵⁸, but in direct contradiction to the sovereignty claimed by Westminster. And when David Cameron, Nick Clegg and Ed Miliband signed "the Vow" ahead of Scotland's independence referendum, they declared that the Scottish parliament is permanent: a promise restated in the 2016 Scotland Act⁵⁹, which bans future incarnations of Westminster from abolishing it without consent of the people of Scotland, meaning that there is a level of sovereignty greater than that of the Crown in Parliament.

This principle went further in 2017. When the activist Gina Miller won her case at the supreme court determining that MPs had to vote on Brexit, two things happened. First, the three dissenting Supreme Court judges argued that they could not instruct Parliament to vote on the matter, because to do so would be to declare that the court had power over Westminster, and therefore that Parliament was not sovereign. They lost 8-3, but the very fact that three of the country's most senior judges believe that this means that the Supreme Court – another product of Blair's constitutional tinkering – can now overrule the Commons is vitally important. Secondly, MPs then voted, overwhelmingly, for something they believed was a bad idea, because, they said, the will of the people must be respected. They abdicated responsibility for deciding on the matter. In other words, the Brexit vote produced the best display that, in reality in modern Britain, we have no idea where sovereignty really lies.

There are two reasons for this collapse in the idea that the Queen-in-parliament is sovereign. First, the contemporary concept of parliamentary sovereignty dates from AV Dicey's famous book, 'Introduction to the study of law of the constitution' from 1885. When he wrote that parliament is "an absolutely sovereign legislature" with "the right to make or unmake any laws", London was the capital of the biggest empire in human history. It was a literal description of the power of a chamber which, ultimately, could enforce its will across the world. This, clearly, is no longer true, with power shifting both east and west, and capital becoming increasingly footloose.

Secondly, Anglo-Britain (the Welsh, Irish and Scots have different stories), maintains a cognitive dissonance about the monarchy. On the one hand, they are at once the deities of reality TV Britain and icons of empire-kitsch sentimentality. They are the zenith of a nationalism so ubiquitous it goes unmentioned, which permeates the society of a post-empire desperate to remain cool in the modern media market. On the other hand, the absurdity of the idea of the divine right of kings in a country where fewer than one in fifty actually attend a Church of England ceremony each week is overwhelming. We are left with a Schrodinger's sovereignty, where the compromises of the seventeenth century are alive, until you look at them too closely.

Looked at another way, at the core of the British constitution lies the creaking old class system. Only five British universities have produced a prime minister, and more than twice as many have gone to Eton as to non-fee paying schools. And at the centre of this system, reminding us all that

it's the natural order of things for posh white people to be in charge and that vast inequality is part of our national culture, is the monarchy.

To clean up our current constitutional mess means therefore means resolving the question of who is sovereign. For any democrat, the answer to that question is "the people". But that means a head-on confrontation with monarchism: whilst, of course, it would be possible (though undesirable) to maintain a Nordic style monarchy, with a role that is genuinely only ceremonial, even such a cautious move would almost certainly be treated by the tabloids as what it was: an all-out assault on British traditions, and so would likely provoke a confrontation with Anglo-British nationalism.

To understand the scale of this challenge, you need to understand that the UK is currently spending around £170 billion renewing its nuclear submarines, with the support of both main Britain-wide parties, despite MPs knowing them to be technologically redundant, because it's easier to do so than to explain to the voters of Anglo-Britain that the sop they got for losing the empire was designed in a world before maritime drones.⁶⁰

A new economy is impossible without democracy

There will be those who read what I have proposed above and feel that none of it is a priority. There are people starving on the streets of Britain, and we need to hurry on with sorting the housing crisis and income inequality. The planet is burning, and we must prioritise the transition to a low carbon economy.

Others might argue that this is all a side-show: power in our system lies with big corporations, not governments. The system we should be focussing on is neoliberal capitalism, not archaic questions about constitutional sovereignty, and provoking a bare-knuckled fight with revanchist nationalism is a dangerous game.

But a political system built to ensure elite rule will always mean that decisions are steered towards the interests of the elite. Powerful property owners still have huge sway. Shell and BP still have their teeth deep into the Foreign Office. And we will never succeed in taking power away from corporate elites if the only alternative is a laughably anachronistic system of quasi-democracy that is deeply in hoc to those elites anyway.

Deep down, people understand this. When Scotland's independence referendum campaign kicked off, it was the height of austerity, and the response from much of Scottish Labour was to treat it as a sideshow to 'bread and butter' issues. But the vote produced huge levels of political engagement, unseen in a generation, because people understood that without mending the system somehow, the bread and butter questions would never be answered. Similarly, the biggest turn out in England in recent years was the European referendum, when people voted for a campaign promising them the chance to "take back control": the ultimate desire in the age of alienation.

The future

If a future UK – or its consciously uncoupled constituent countries – is to transform itself into a democracy, then it's imperative that the rules of that state are written not by the politicians of any one party, but through a process which itself is seen as legitimate, democratic, and plural. The best evidence seems to be that mixed models work well: where a randomly selected and representative jury is interspersed with a small group of elected politicians from across the party spectrum (who

are there mostly to advocate for the process in the old institutions), and given the power to determine its own direction and ask advice from the experts it chooses. Such a group, I would hope, would bring a string of proposals similar to those I've sketched out above, to the public, through carefully thought through referendum processes, which would lead us to democracy. Perhaps one such proposal would be a return to the EU.

In the last five years, these islands have seen four iconic, culture-shifting referendums. Scotland's independence vote shifted attitudes in the country, making them more progressive as thousands became enthused about politics once more. Ireland's votes on abortion and equal marriage awoke a progressive spirit and helped the country cast off its conservative Catholic heritage. England's Brexit vote (because that's what it was) pulled in a different direction, unleashing a negative energy which often feels scary. This certainly reveals the risk of badly run democratic process in a noxious context. But the risk of progressives retreating to a belief in elite rule is much greater.

National identity and national institutions help create each other. England, specifically, desperately needs to find a way to escape the prison of imperial longing, and emerge as a modern democracy. A vast national debate about how to really 'take back control' from those who have hoarded power for generations is long overdue. It's time to complete the democratic revolution.

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